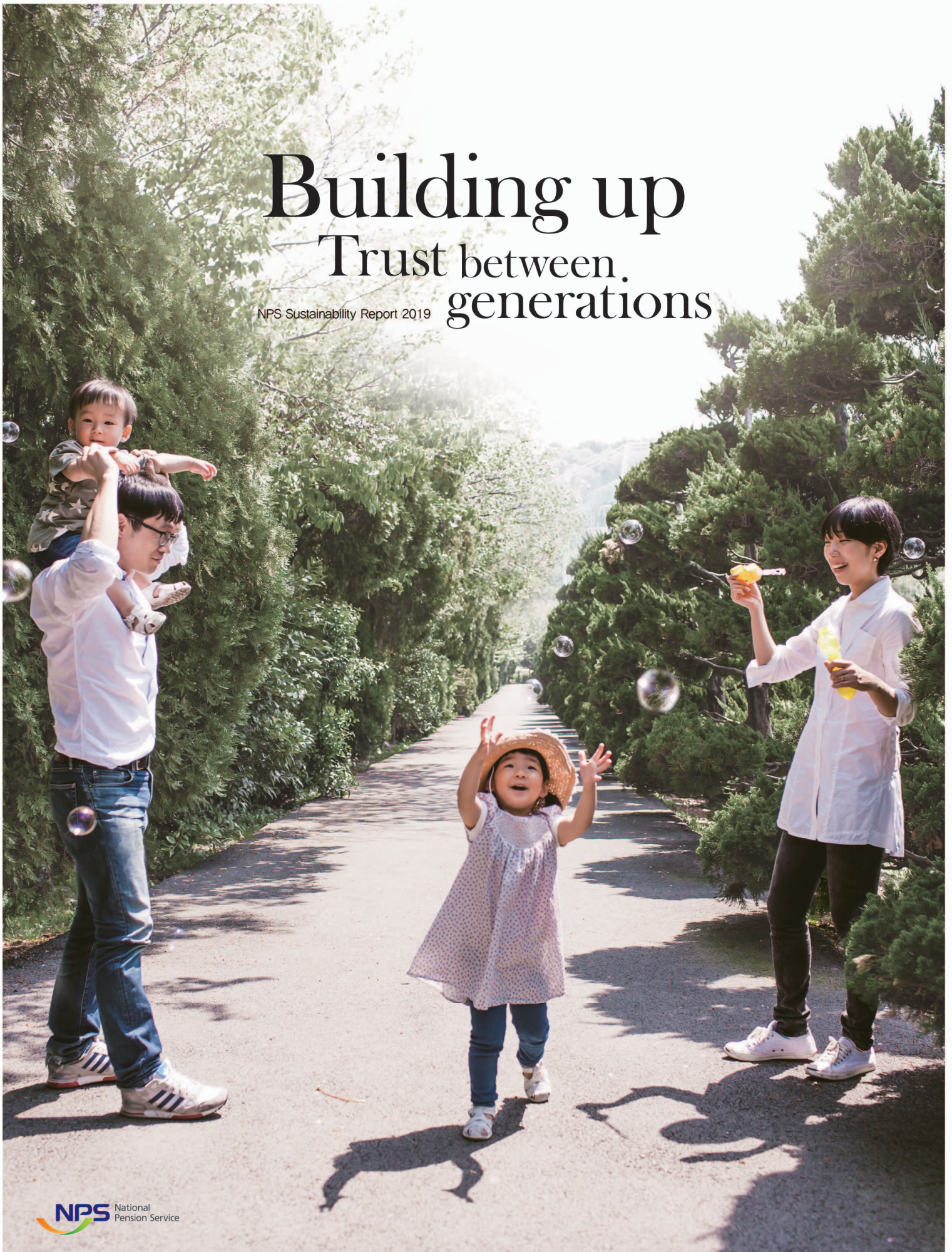


Building up Trust between generations

NPS Sustainability Report 2019



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About This Report

The National Pension Service (NPS) has published the Sustainability Report annually since 2012 to share its social responsibility management activities, outcomes and plans with the stakeholders. This publication is the eighth report, which includes that the stakeholders are interested in, as well as various activities and plans implemented by the NPS to actualize social values.

Reporting Period and Scope

This report highlights activities and performances of the NPS from January 1 to December 31 of 2018. Important management activities of 2019 are also included, and quantitative performance data are provided for the last 3 years (2016~2018) to allow for annual trend analysis. The scope of this report includes the head office and regional headquarters of the NPS.

Reporting Principles and Standards

This report was developed in accordance with the Core Options of the GRI Standards, while also reflecting ISO 26000 and the Ten Principles of the UN Global Compact (UNGC).

Verification of Report

This report has undergone third-party verification of an independent, external agency to ensure the suitability of the reporting process and the reliability of the reported contents.

Inquiry

For any further information or inquiries, please contact us below. More details are available on the NPS website (www.nps.or.kr).

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Letter from CEO



“ We will guarantee stable livelihood of people with sustainable pension and welfare services. ”

Dear stakeholders,
 We deeply appreciate your unchanging support for the National Pension Service (NPS). The NPS was founded in 1987 to guarantee stable old-age livelihood of people and has settled down as the most important old-age income security system that grants annual pension of KRW 21.4 trillion for 4.77 million recipients in December 2018. Especially, the total accumulated amount of the National Pension Fund that was only KRW 530 billion in the beginning exceeded KRW 700 trillion in July 2019. The NPS has become the third national pension fund in the world to exceed the total amount of KRW 700 trillion, following the public pension of Japan and the sovereign wealth fund of Norway. Instead of settling for present performances, the NPS will manage the precious pension fund and strive to help Korean citizens in preparing for a healthy and comfortable old-age life. Moreover, the NPS plans to concentrate its capability on the four initiatives below in order to become 'Your Trusted Lifetime Companion in the Age of Centenarians.'

First, the NPS will make the national pension that benefits everyone.

The membership period is important for the national pension to ensure the minimal old-age income. The NPS will remove blind spots and further increase the subscription rate so that all citizens can make a living with the national pension in old age. Our efforts will be continued until the day that everyone benefits from the national pension.

Second, the NPS will operate the fund to be trusted by people.

Independence and transparency are as important as profitability in fund operation. Accordingly, the NPS introduced

the 'Stewardship Code' in 2018 to expand the practice of responsible investment and shareholder's rights. In addition, the scope of fund information has been expanded to the level of a global pension fund institution, drastically increasing transparency of operation by obliging the minutes of decision-making meetings.

Third, the NPS will reinforce welfare services for people.

The NPS offers a variety of services for old aged individuals, which were started with the first public service for old-age preparation in 2008. Also, we will endeavor to provide better welfare services that embrace the disabled persons and economically vulnerable class.

Fourth, the NPS will achieve sustainable social values.

The NPS takes the lead in actualizing social values for the public interest and community development. All of 1,231 contracted employees were turned into permanent employees in 2018 by communicating and negotiating with employees. New jobs for youths were created by reducing overtime work of all employees. The NPS will also continue to utilize its capability and promote activities for regional development and shared growth. The social value project is aimed at making the best institution for attaining social values.

The NPS will undergo ceaseless innovation and challenge to make the 'pension for people.' We look forward to encouragement and support of the stakeholders.

2019 October
 Sung Joo Kim
 Chairman & CEO National Pension Service

2018 & 2019 NPS Highlights



National pension, a pension for people

Guarantee of old-age income through increased participation of people

- 'National Debate' of 16 cities and provinces to collect balanced opinions on income guarantee and financial stability
- Gathered people's opinions through the 'Temperature of Pension' website and phone surveys
- Collection of 2,707 online opinions
- 2,000 respondents to the scheme improvement survey

2,440 persons

Number of participants in the National Debate

Increase of income tax reports

- Contributed to the increase of import tax reports by easing the subscription criteria for daily construction workers and promoting Durunuri and job stabilization funding project
- Developed a shared growth and cooperation model between the NPS and local governments to provide insurance premiums to small business owners

610,000 persons ▲

Increased number of income tax reports

Reasonable pension system based on the needs of people

- Added KRW 78.5 billion annually by changing the pension amount adjustment period (April to January) and resolved the controversy over fairness compared to the special occupation retirement pension
- Paid additional KRW 832.8 billion annually by increasing the reference pension amount for low-income, basic pension recipients

KRW 78.5 billion ▲ per year

National old-age income increased



A global leader of fund management trusted by people

Increased fund reserve

- Exceeded the national pension fund reserve of KRW 700 trillion in July 2019

KRW 700.3 trillion

Fund reserve

Unanimous passing of Stewardship Code and increased transparency through information disclosure

- Introduced Stewardship Code for the first time in the public sector
- Expanded the scope of disclosed information to the level of advanced overseas pension funds, embracing investment information such as stocks and foreign bonds

5.43%

Accumulated annualized return for 1988~end-June 2019

Investment Diversification

- Reinforced strategic asset allocation by adjusting the foreign exchange hedge ratio of foreign bonds and strengthening private equity market research
- Managed fund management risks such as the NPS investor sentiment index and alternative investment risk management

30.1%

Global investment ratio



Leading the public interest by creating good jobs and attaining social values

Commendation from the deputy chairman of the Job Committee

- Completed transition of all contracted employees to permanent through direct employment
- Created 50 new jobs for youths by reducing overtime work of all employees
- Created 63 private sector jobs by opening the retirement planning instructor position to the private sector

1,231 employees

Number of contracted employees turned into permanent employees (including call center)

Commendation from the Prime Minister in the field of social value

- Supported insurance premium for the low-income class with a shortage of the subscription period (pension premium loans)
- Sought for multilateral shared growth by opening the office building to all local offices, supporting resident policies using big data, reinvigorating the economy of the region with employment crisis near the head office (Gunsan), and advancing the regional information system

239 persons

Number of recipients of low-income insurance premium support

Increased support on people who need

- Provision of lifelong monthly income through 'partial pension finding' activity that seeks for partial pension given up by divorced spouses
- Enforced the '119 business for the disabled' to help disability registration of the disabled persons who are neglected and abused and to offer related welfare services

88 persons

Number of beneficiaries from the partial pension finding



Transparent and fair operation and creation of happy workplace for employees

Achieved the 1st grade for three consecutive years with the Anti-corruption Initiative Assessment

- Participated as a representative institution in the 'pilot business for human rights management' supervised by the Anti-Corruption & Civil Rights Commission (ACRC)
- Diagnosed anti-corruption capability of communities as an 'integrity consulting' mentor institution by the ACRC and hosted the 'Jeonbuk Integrity Culture Festival'

Achieving AAA

Achieved the highest grade of AAA for five consecutive years with the sustainable management index (KoBEX SM)

Presidential citation for excellent personnel system innovation

- Discovered and promoted innovation of the personnel system with employees by operating the 'personnel system participation group'
- Introduced the 'promotion goal system' for women in high-rank positions and achieved gender equality by increasing the number of female branch directors and female department heads

283 persons

Number of female managers

Certified as a family-friendly institution for 12 years in a row

- Revitalized the flexible working hours system by introducing the 'early leave system' and diversifying 'selective working hours'
- Reduced the burden for child delivery and childcare by granting childcare hours to male employees and implementing 'childcare holidays'

79 persons


Number of pregnant employees with reduced working hours system

NPS Overview

Company Introduction

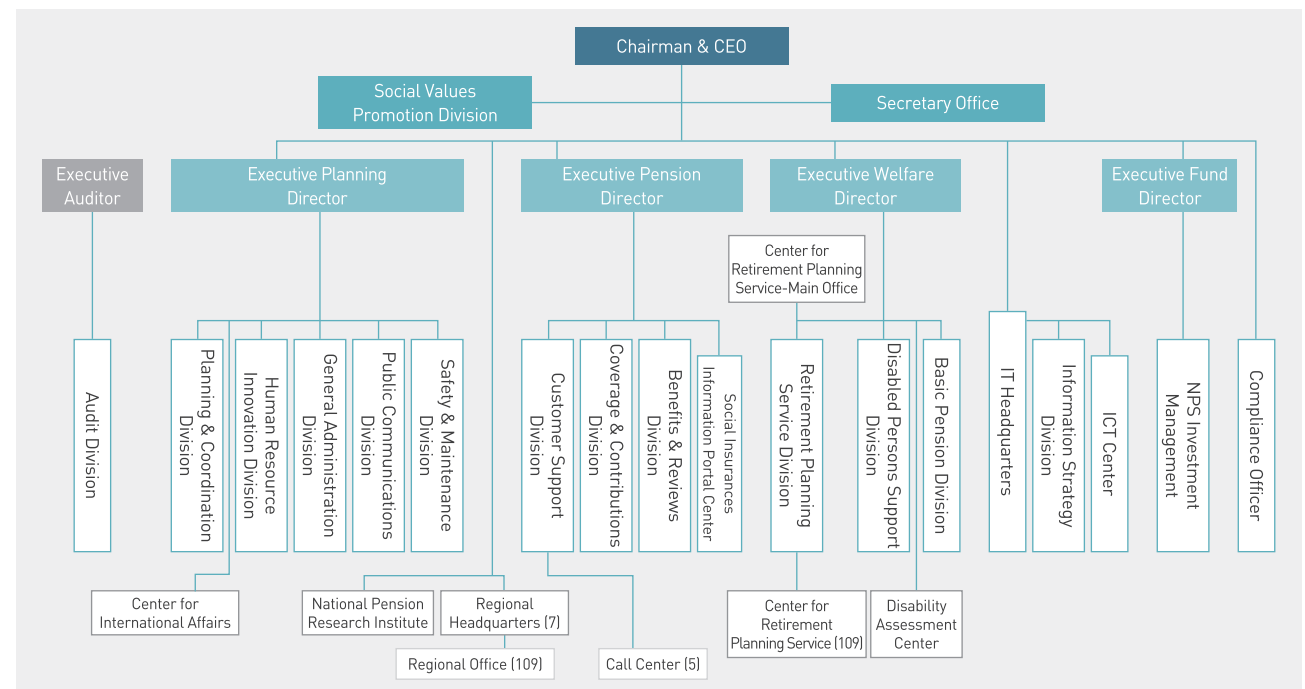
The NPS was founded in 1987 to enhance social stability and welfare of Korea, and it provides pension payments in regards to old ages, disabilities and deaths. As of December 2018, the total number of subscribers reached 22.3 million and the pension service was provided to 4.8 million recipients. The amount of fund reached KRW 638.8 trillion, making it possible for us to provide various welfare services.

Profile

	Name of organization	National Pension Service
	Ministry in charge	Ministry of Health and Welfare
	Date of establishment	September, 1987
	Basis of establishment	National Pension Act Article 24 (Establishment of National Pension Service)
	Headquarters	180, Giji-ro, Deokjin-gu, Jeonju-si, Jeollabuk-do, Korea
	Number of employees	7,264

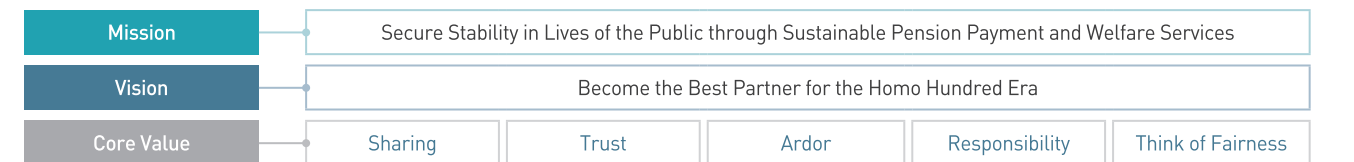
Organizational structure

The NPS is operating thirteen divisions, one organization, three centers, the IT Headquarters, the National Pension Service Investment Management, and the Compliance Officer. The subdivisions include 109 Regional Office, the Disability Assessment Center, the Center for International Affairs, and the National Pension Research Institute. Especially, the Social Values Promotion Division under direct control of the chairman and CEO was organized in June 2018 to implement social values.









NPS Value System

Celebrating the 30th anniversary of the national pension system, the NPS restructured its core values into START, which means to prepare for the next 30 years. The NPS will guarantee stable livelihood of people by promoting its activities based on the five core values including Sharing, Trust, Ardor, Responsibility, and Think of Fairness.



Major Businesses

The NPS was founded to contribute to social stability and welfare of Korea by providing pension payments in regards to old ages, disabilities and deaths. In addition to pension payments, the NPS plays the role of a 'comprehensive welfare institution' that covers all areas of social security by operating and supporting old-age basic pension, retirement planning service, and activities for the disabled.

 <p>Subscribers Management</p> <ul style="list-style-type: none"> Manages and maintains records of subscribers Imposes pension premiums and adequately manages base monthly income 	 <p>Pension Payment</p> <ul style="list-style-type: none"> Improves the payment system and work standards Calculates and provides pension payment for beneficiaries Provides the pension payment service and follow-up management 	 <p>Fund Management</p> <ul style="list-style-type: none"> Allocates fund management assets Manages domestic and overseas stocks, bonds, and alternative assets Manages risk of fund management 	 <p>Welfare Services</p> <ul style="list-style-type: none"> Provides retirement planning services Aids the disabled for disability assessment and daily activities Guides and receives basic pension applications and manages recipients 	 <p>International Affairs</p> <ul style="list-style-type: none"> Concludes and executes social security agreements Manages the interests of foreign beneficiaries Conducts transfer of advanced system and international cooperation 	 <p>Research</p> <ul style="list-style-type: none"> Conducts research on pension scheme and social security Conducts research on plans for efficiency of fund management Propagates key trends of pension scheme
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NPS History

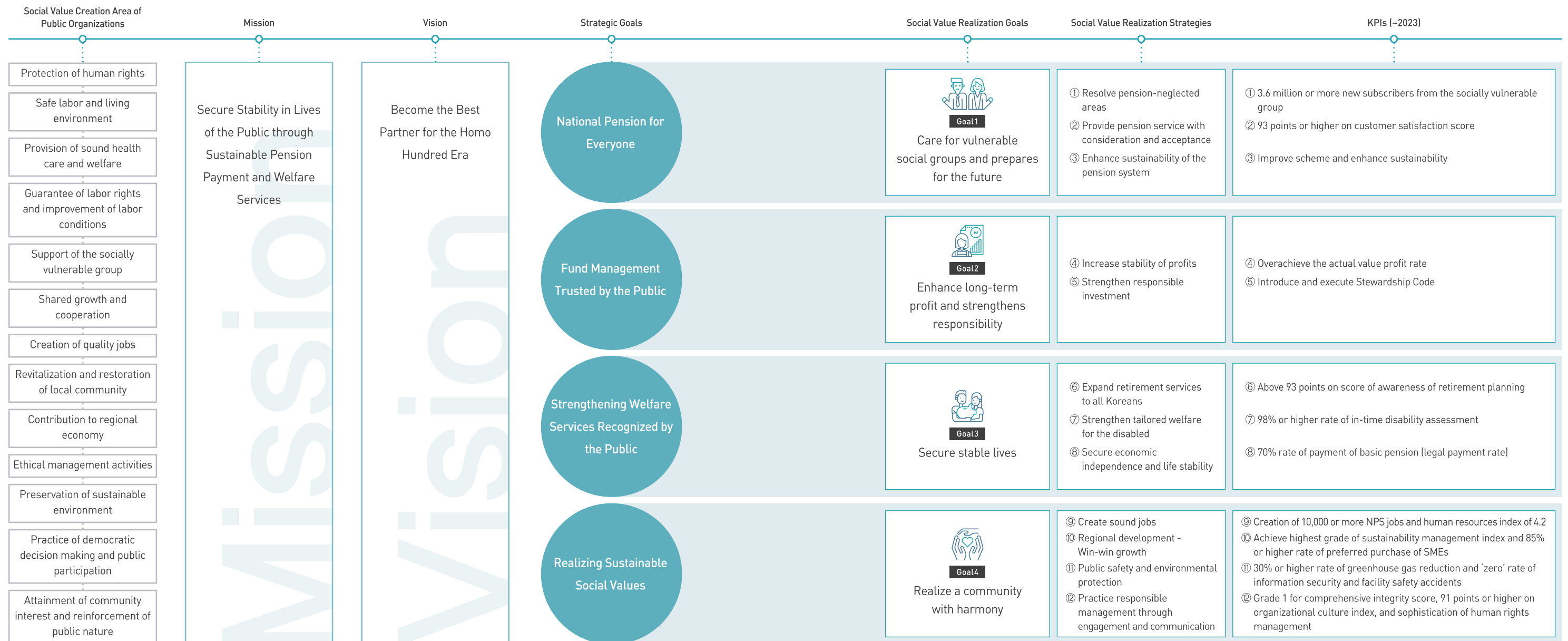
Formation and expansion of the base according to expansion of the scheme (1986 - 1999)	Innovation of scheme management to substantialize operation (2000-2010)	Diversification to be a comprehensive welfare service institution (2011-2018)
1986 Promulgated the National Pension Act 1987 Established the National Pension Corporation 1988 Implemented the national pension system (limited to workplaces with 10 or more permanent employees) 1992 Compulsory coverage included workplaces with five or more permanent employees 1993 Commenced Special Old-age Pension benefit payment 1995 Expanded subscriptions to agricultural and fishing villages 1999 The Era of Pensions for All Koreans began (subscription expanded in urban areas) 1999 Established the NPS Investment Management Center	2003 Gradually expanded compulsory coverage to corporations and workplaces with less than five permanent employees 2007 Renamed as the "National Pension Service" 2008 Launch of the Disability Assessment Center Launch of Retirement Planning Service 2009 Opening of the Center for International Affairs (for foreigners only)	2011 Consigned the Affairs in Relation to Collection of Contribution to the National Health Insurance Service (NHIS) Implemented a System for Assessment and Registration of the Disabled [Welfare of Disabled Persons Act] Commencement of Programs for Assisting the Disabled 2012 Implement a System for Assessing Work Abilities of Recipients of National Basic Livelihood Security Program 2014 Commencement of Support for Basic Pension Service Operations 2015 Relocated the Head Office to Jeonju, Korea Implement Retirement Planning Service toward all Koreans 2017 Relocated the NPS Investment Management to Jeonju, Korea

NPS Social Value System

Social Value Strategy System

The NPS has been striving to create social values contributing to the public interest and community development based on its mission to 'Secure Stability in Lives of the Public through Sustainable Pension Payment and Welfare Services' In October 2018, the NPS established the four social value realization goals including 'pension that cares for vulnerable social groups and prepares for the future,' 'fund that enhances long-term profit and strengthens responsibility,' 'welfare service that secures stable lives' and 'institution that realizes a community with harmony.'

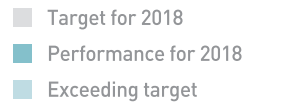
The NPS set forth detailed strategies and KPI to attain its four social value realization goals to create social values associated with its businesses. We will strive to continue adding values to our lives and provide social values needed by the public and society.



NPS Social Value Performance

NPS Social Value Score Card

The NPS resolves various social issues like old-age poverty, disability and job shortage and creates social values contributing to the development of communities.



Goal 1
Care for vulnerable social groups and prepares for the future

① Resolve pension-neglected areas

Rate of new subscription of the socially vulnerable group
106.8% **18.82%**
Target: 17.74%

Pension premium loans
100% **77 persons**
Target: 77 persons

② Provide pension service with consideration and acceptance

Provision of 'health sustaining' beverages
Ongoing project **444 persons**
Target: 1,100 persons

Customer satisfaction
100% **Grade A**
Target: Grade A

Number of nations that signed agreements
150% **3 nations**
Target: 2 nations

③ Enhance sustainability of the pension system

Research report citation rate
117.7% **0.272%**
Target: 0.231%

Satisfaction for seminars
101.6% **95.0%**
Target: 93.5%

Goal 2
Enhance long-term profit and strengthens responsibility

④ Stable income growth

Overachievement of the actual value profit rate
89.6% **4.09%**
Target: 4.57%

⑤ Strengthen responsible investment

Introduction of the Stewardship Code

Preparation of the guidelines for responsible investment

Increased transparency through expanded scope of fund investment information disclosure

Instead of promoting ordinary social value activities, the NPS focuses on the areas that are highly associated with its businesses to increase the effectiveness of social value activities. Especially, the NPS comes up with specific goals and evaluation indicators to measure the achievement rate on an annual basis.

Goal 3
Secure stable lives

⑥ Expand retirement services to all Koreans

Outcome of retirement planning education
125.4% **10,944 times**
Target: 8,724 times

Recognition of retirement planning
100% **92.8 points**
Target: 92.8 points

⑦ Strengthen tailored welfare for the disabled

Rate of in-time disability assessment (number of cases processed in time)
100% **95%**
Target: 95%

Rate of in-time disability assessment (number of cases reviewed)
101.2% **99.2%**
Target: 98.0%

⑧ Secure economic independence and life stability

Progress of activity assessment tool improvement
100% **60%**
Target: 60%

Persons guiding basic pension for the low-income and socially vulnerable group
100% **149,000**
Target: 149,000

Satisfaction about life financing
100% **93.2 points**
Target: 93.2 points

Goal 4
Realize a community with harmony

⑨ Create sound jobs

transition of contracted employees to permanent
266% **1,231 persons**
Target: 462 persons

⑩ Regional development - Win-win growth

Social contribution mileage
107.9% **183,390 points**
Target: 170,000 points

⑪ Public safety and environmental protection

Facility opening increase rate
100% **20%**
Target: 20%

Evaluation of information security management conditions
98.15% **79.57 points**
Target: 81.07 points

⑫ Practice responsible management through engagement and communication

Employment rate of the disabled (3.2% of permanent employees)
108.7% **3.48%**
Target: 3.20%

Employment rate of the job support targets (8% of permanent employees)
109% **8.72%**
Target: 8.00%

Hiring rate of local talents (compliance with the hiring goal system)
111.7% **20.10%**
Target: 18.00%

Sustainable management index (evaluated by the Ministry of Trade, Industry and Energy (5th grade))
100% **AAA**
Target: AAA

Efforts on UN SDGs and Outcomes

Introduction of UN SDGs

The UN Sustainable Development Goals (UN SDGs) are the 'sustainable development goals' suggested by the UN to accomplish sustainable development of the international society. The SDGs were adopted in September 2015 as a promise of the international society to practice sustainable development. They include 17 goals and 169 targets embracing the three areas of the economy, society and environment.

The NPS strongly supports the UN SDGs and endeavors to attain the goals based on its core capabilities and resources. The NPS also identifies areas that maximize the positive effects and minimize the negative effects in accordance with the UN SDGs Compass, promoting SDGs activities to create social values and impact. The NPS will engage in faithful and active practice of the SDGs to further increase sustainability of our society.

1 NO POVERTY

Potential effects
Settlement of the poverty issue by providing pension premium to the economically vulnerable group

Actions

- Promote Durunuri pension premium support
- Promote pension premium loans

4 QUALITY EDUCATION

Potential effects
Enhancement of education opportunities with high-quality education programs

Actions

- Provide scholarship to recipients of socially vulnerable group and their children
- Educational support to local students regarding finance and coding
- Provide job competency programs for employees

2 ZERO HUNGER

Potential effects
Eradication of hunger for the socially vulnerable group

Actions

- Confirm survival of single seniors when checking recipient rights and deliver food and supply

5 GENDER EQUALITY AND ENHANCEMENT OF FEMALE HUMAN RIGHTS

Potential effects
Enhancement of human rights of women and empowerment through systems and education programs

Actions

- Promote expansion of national pension subscription for females with career break
- Introduce female-friendly system in all areas including promotion, appraisal, and training

3 GOOD HEALTH AND WELL-BEING

Potential effects
Enhancement of health of the stakeholders such as recipients and employees through a variety of support programs

Actions

- Provide senior recipients opportunities for various social engagements including self-improvement and volunteering
- Provide stress management programs for emotional laborers
- Pursue enhancement of employees' health through environmental improvement

8 DECENT WORK AND ECONOMIC GROWTH

Potential effects
Creation of jobs in Korea through stable fund management and support

Actions

- Create jobs in the finance industry of Korea by expanding private contracting for fund management
- Create jobs in the private sector by resolving job miss-matching and opening jobs for retirement planning service tutor to public

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Potential effects
Building of social infrastructures using the fund and reinvigoration of sustainable economic development

Actions

- Increase investment in social infrastructures including SOC through National Pension Fund
- Reinvigoration of local economy: Invigorating traditional markets in Jeonbuk, etc.
- Expansion of knowledge infrastructures through regional events such as International Seminar on Public Pension, etc.

11 SUSTAINABLE CITIES AND COMMUNITIES

Potential effects
Contribution to the stable provision of public services through the advancement of services related to the 4th industry

Actions

- Develop welfare service models and programs that contribute to lives of the public including sophistication of big databased retirement planning service
- Establish the disaster recovery system at ICT Center and operate the integrated disaster management system

10 REDUCED INEQUALITIES

Potential effects
Support on the socially vulnerable subscribers in the blind spot of the scheme
Support on the disabled and employment vulnerable group through the scheme

Actions

- Lead vulnerable subscribers in scheme blind spots to the National Pension Scheme through and Didim Seed Savings Account, etc.
- Comply with mandatory employment of the disabled and guidelines for protecting contract workers
- Endeavor to conduct blind recruitment, recruit high school graduates and local talents, and expand female managers to eliminate discriminations at work
- Complete transition of contracted employees to permanent

13 CLIMATE ACTION

Potential effects
Direct and indirect effects on climate change and air pollution

Actions

- Surpass GHG reduction goals through energy conservation practices
- Consider the ESG (Environment, Social, Governance) factors including the environment when making fund investment

17 PARTNERSHIPS FOR GOALS

Potential effects
Contribution to sustainable development of the international society by cooperating with the stakeholders

Actions

- Transfer the National Pension Scheme to developing countries such as Vietnam, Cambodia, Mongolia, Nepal, and Indonesia and practice improvement of school environments and cultural exchanges
- Joining UN PRI and strengthening responsible investment
- Running global CSR activities

Identifying Key Social Issues

Stakeholder Interview

The NPS conducted interviews to identify social values expected by the stakeholders from the NPS. The stakeholders who have high understanding and interest in social responsibility management and social value realization were selected as the interview targets, and parts of the interviews were included as excerpts in the report.

As a result of interview, the NPS listened to the valuable opinions about social issues which the NPS should focus, social value trends, and other social value related advices. The NPS will continuously perform communication activates and gather a various of stakeholder opinions, and reflect them into the NPS social value creation activities.



Jong Hyeon Won
Vice President, National Pension Research Institute

“Creation of sustainable profits through responsible investment”

The NPS was established for the purpose of contributing to social stability and welfare of Korea. Therefore, it is the very reason for existence and essential function of the NPS to create social values. In particular, social responsibility investment closely associated with long-term profit rate must be expanded. Instead of concentrating on the temporary increase of fund management profit, the NPS must create sustainable profit through socially and environmentally responsible investment that can reduce future social expenses. I expect the NPS to continuously concentrate on its main duties and provide true benefits such as reducing social expenses.



Eun Gyeong Lee
General Manager, U.N. Global Compact Network Korea

“Human rights risk management through sustainable human rights management”

The NPS has become an institution that functions as a safety net for various social issues such as low birthrate and aging. With the gradual increase of its influence over the capital market, the NPS is required to create more social values. Our society has recently become interested in human rights and internalization of human rights management. NPS is also required to manage the human right issue of the stakeholders because of its social influence. Even though the NPS is participating in social value creation and responding to a various of risks, it is required to more actively internalize them into businesses and operations. The NPS should become an organization that meets public needs through establishing mid to long term road map for human rights and performing human rights related management.



Tae Yong Kim
Head of Labor Union Policy Department, National Pension Service

“Creation and maintenance of quality jobs”

Creation of high-quality jobs is one of the social values that the NPS needs to focus on. Especially, the NPS should make constant efforts to eradicate workplace harassment through adequate labor-management agreements, reinvigorate the flexible working hours system, and resolve the gender equality issue. In addition, quality of jobs created by the reduced overtime work and flexible working hours systems must be increased. I also encourage the NPS to continue with the parental leave system and flexible working hours system in order to increase quality of life of employees.



Pan Sul Oh
Retirement Planning Instructor, National Pension Service

“Resolving blind spots of welfare and continual improvement of the system”

The NPS resolves social issues and contributes to social development by engaging in various activities including pension premium loans and support on the disabled. Such activities create a social value of removing the blind spot in welfare, but I feel that there is a gap between the pension system and reality. For instance, the partial pension system related to diverse is not appropriate for the divorcing tendencies of the contemporary society. It would be necessary to make constant improvement on the system using big data. In addition, I hope to see social value creation of the NPS to be continued while prioritizing the social values that are related to the NPS businesses and meet the public interest.



Pyeong Seok Kang
Head of Social Economy Division, Wanju-gun Office

“Revitalization of local economy through cooperation with local communities”

With the increasing importance of social values that contribute to the public interest and community development, local governments and public institutions are making the efforts to create diverse social values. The NPS, relocated to Jeollabuk-do according to the public institution relocation policy, opens farm product markets to promote shared growth with residents. The 'Youth Packman' program providing food to elders who live in the regions with inconvenient transportation contributes to the regional economy and convenient of residents. Quarterly consultative organizations of local governments and the NPS must be continued to seek for reinvigoration of the regional economy and job creation. I expect the NPS as the representative pension institution of Korea to lead the way in creating social values related to its businesses.

01 National Pension for Everyone

Sustainability Material Issue



Resolve Pension-Neglected Areas

Expanded Scope of Pension Subscribers

Improved Criteria for Subscription of Daily Construction Workers

The NPS eased the criteria for pension subscription of daily construction workers in order to resolve inequality of national pension subscription caused by the differences in the criteria for workplace subscribers between daily construction workers and general daily workers. The NPS changed the number of working days per month required for subscription of daily construction workers from 20 days to 8 days, which now equals the requirement for general daily workers. Accordingly, additional 390,000 daily construction workers who only worked for 8~19 days per month became eligible to subscribe for the national pension, reducing about KRW 483 billion* worth of national pension premium. This was introduced as an exemplary case of the Asia-Pacific region by the International Social Security Association (ISSA).

* KRW 1.23 million (mean annual pension premium per person) X 390,000 persons

Strengthening the Right of Special Workers

There are about 442,000 special workers who make income but are neglected from the national pension service. The NPS has announced the fourth comprehensive national pension operation plan, which reduces the burden of special workers such as insurance solicitors and caddies for pension premium by 50% to protect their rights and lower the barrier. Transfer of 213,000 locally subscribed special workers to workplace subscribers can reduce the burden for national pension premium by KRW 92.5 billion per year. In addition, the NPS makes various efforts to help a variety type of workers such as foreigners, child care parents and workers of long-term care centers subscribe for the national pension by maintaining close partnership with various related institutions. Also, the NPS recommends everyone to subscribe for the national pension by publicizing the scheme differently according to the life cycle.

Increasing Beneficiaries Through Personalized Subscription Guidance

The NPS provides a differentiated subscription guidance service to help public prepare for old age. Personalized information is provided to workplace and local subscribers and voluntary continuous subscribers who have not reached a subscription period of 120 months. Also, we advise people who have the ability to pay pension premium but did not report income tax to voluntarily report income tax. People who do not earn income but need retirement planning are guided to subscribe for the national pension voluntarily.

Personalized Publicity and Subscription Guidance According to the Life Cycle

Category	Description
Elementary, middle and high school students	Introduction of the 'national pension scheme and retirement planning service' in middle and high school textbooks and field education to gain indirect experience in the pension service through the free semester system (282 times, 10,621 students)
Youths	Publicity using the internet and SNS channels in an interesting and unusual way of introducing the 'need for pension' (Channel expansion) 'Daum Kakao,' 'Kakao Plus Friend' (affiliation with popular channels), Subusu News, Piki Cast, etc.
Middle-aged and elders	Popular TV programs and press media trusted by middle-aged and elders to introduce 'examples of pension used by retirees' and 'how to increase pension benefits' Distribution of press release materials on Couple's Day, improvement of the scheme, informing facts to correct distorted information, etc.

1.26 million persons

Number of workplace subscribers among daily workers increased by 210,000 persons compared to previous year

6,000 persons

New workplace subscribers among child care parents

3.99 million persons

Number of income tax reports increased by 130,000 persons compared to previous year

124,000 persons

Post-payment* request (Women with career break, persons with unemployment history, etc.)

*Post-payment: A system that helps subscribers increase the subscription period and secure the pension benefit right through post-payment of premium for the period during which one did not make income

Context **Our Approach** **Our Performance(2018)** **Our Plan(2023)**

With the increase of post-retirement poverty due to the lack of preparation and increase in the portion of old-age and disabled recipients, there is an increasing need for a sustainable pension service that is considerate of the socially vulnerable group and can accommodate for future changes.

The NPS is increasing pension subscription to resolve pension-neglected areas by supporting pension premium, and providing a variety of pension service through activities which protect the right to receive pension benefits. In addition, the NPS increases sustainability of pension by implementing a pension scheme that ensures old-age income and keeps financial balance.

Number of new subscribers in the socially vulnerable group

3.31 million persons (accumulated)

Income tax report rate

83.2%

Pension premium

KRW **1.60** trillion

Number of new subscribers in the socially vulnerable group

3.37 million persons (accumulated)

Income tax report rate

86.9%

Pension premium

KRW **1.81** trillion

Increased Support of Pension Subscribers

Increasing Provision of Pension Premium

The NPS expands its pension premium support activities by finding the targets of support. By improving the criteria for low-income workers of small-sized workplaces, the NPS provided benefits to 2.21 million low-income workers through operation of the intense pension guidance period. The amount of support was differentiated according to the scale of workplaces so that more subscribers can benefit. The upper limit of support for farmers and fishers that had been frozen for three years was increased to expand benefits, which allowed 17,000 persons to receive additional pension premium support of KRW 4.2 billion per year. Moreover, we have reinforced promotion of unemployment credit* for the unemployed to help subscribers who discontinue the subscription period or fail to pay pension premium due to unemployment.

* Unemployment credit: A system that provides 75% of pension premium for beneficiaries of job-seeking benefits who are willing to pay pension premium and acknowledging the support period as a part of the national pension subscription period

Reinforcing Services to Consider the Socially Vulnerable Group

The NPS operates a pension premium support business for low-income subscribers in connection with social contribution activities, providing pension premium to the low-income and socially vulnerable group that has given up on the pension benefit right due to economic difficulties. In 2018, KRW 30 million was provided to 127 low-income subscribers, and KRW 40 million was provided to 70 child care parents who live in community facilities. Also, the NPS helped disaster victims quickly return to work by exempting their pension premium. In addition to the pension premium support business, the NPS has expanded the 'Voice Notice' service for persons with visual disability, persons with low vision and foreigners. We assist the information-neglected group in finding pension-related information easily.

Provide Pension Service with Consideration and Acceptance

Protection of the Right to Receive Pension Benefits

Protection of the Pension Benefit Right of the Socially Vulnerable and Neglected Groups

In 2018, the NPS shortened the minimum marriage period from five years to one year for the pension benefit right of divorced spouses who have given up on the partial pension benefit right. An amendment bill was proposed to acknowledge the independent pension benefit right of divorced spouses immediately at the time of divorce by splitting the subscription period. KRW 120 million worth of pension was provided annually to 88 divorced spouses who have given up the partial pension benefit right. In addition, the enforcement decree was amended so that children who are aged below 25 years or have a second-degree disability can receive pension for bereaved family without limitations, reinforcing the pension benefit right of children of the bereaved who need practical protection.

Guidance on the Claim of the Pension Benefit Right

The NPS protects the pension benefit right of all recipients by operating a variety of guidance channels. By expanding guidance channels in 2018, 907,727 persons used the service and 2,393 persons claimed their pension right. Also, personalized guidance was provided to North Korean defectors, disabled persons and unidentified persons, allowing 240 persons to receive pension of KRW 1 billion.

2.21 million persons

Number of low-income workers provided with pension premium support increased by 740,000 persons compared to previous year

410,000 persons

Number of unemployment credit applicants increased by 47,000 persons in 2018 compared to previous year

Increased support of low-income workers in small-sized workplaces

Targets

Workers with monthly income less than KRW 1.4 million

Workers with monthly income less than KRW 1.9 million

Support of new subscribers

Same ratio regardless of size of workplace (60% of pension premium)

Differentiated according to size of workplace (up to 90%)

16.7 billion

KRW Protection of the pension benefit right of the socially neglected group by finding pension of missing persons, etc.

423 persons

Provision of pension to North Korean defectors, foreigners, persons who have given up on partial pension, etc.

Enhance Sustainability of the Pension System

Consideration of Balance Between Old-Age Income and Financial Stability

Internalizing the National Pension System

The fourth comprehensive national pension operation plan was announced in December 2018. The NPS collected opinions of the stakeholders by operating the National Debate and public engagement website to improve the pension system. Efforts were made so that the fourth comprehensive national pension operation plan can advance public pension by supporting pension premium for local low-income subscribers, expanding childbirth credit, and improving partial pension.

Strengthening Public Old-Age Income Guarantee Based on National Pension

Unlike other previous plans that focused on financial stabilization, the Korean government in the fourth comprehensive national pension operation plan suggested guarantee of old-age income and balanced financial stabilization. The discussion of guaranteeing old-age income through the national pension was expanded to a multilayered pension system that embraces all public pension services including basic pension and retirement pension. This is intended to guarantee old-age income of all citizens.

Efforts for Financial Stabilization

Pension funds must enhance long-term profit rate to promote financial stabilization. The Korean government suggested a method of improving long-term profit rate through the fourth General Pension Administration Plan. The NPS contributes to financial stabilization by setting a target profit rate higher than the projected profit rate (4.5%), enhancing the overall fund profit rate through diversification of investment, practicing Stewardship Code, and expanding responsible investment.



Debate for collection of public opinions

Progress of Actual Projection

Introduction of the Actual Projection system (1998)

For the purpose of evaluating financial soundness and present directions for development

Practice of three Actual Projection (2003, 2008, 2013)

the 4th Actual Projection for NPF

Listened to public opinions for the first time and considered balanced guarantee of old-age income

BEST PRACTICE

Increased Public Engagement to Achieve Pension for People

Strengthening the Basis for Public Engagement

To make pension for people, the NPS utilizes various public communication channels to increase public engagement. Especially, when establishing the fourth General Pension Administration Plan in 2018, opinions of the stakeholders of different classes, regions and ages were gathered to reflect them on the fourth General Pension Administration Plan. Primary opinions included provision of 50% of pension premium to local subscribers (excluded from the scope of payment), childbirth credit, pension for bereaved family, partial pension and lump sum pension for death.

The chairman and CEO of the NPS engaged in strategic communication in order to deliver information wanted by people. The chairman and CEO appeared on radio and podcast to resolve the widespread public misunderstanding of the pension fund and system. 'National Pension Advisory Panel' and 'Public Engagement Innovation Panel' have been reorganized to expand opportunities for public engagement in the operation of the NPS. We are constantly expanding public communication channels by collecting diverse opinions and coming up with a bottom-up innovation plan.

350 cases

Number of opinions received by hosting the National Debate in 16 cities and provinces

2,707 cases

Number of online opinions received via the 'Temperature of Pension' website

02 Fund Management with Public Trust

Sustainability Material Issue



<p>Context</p> <p>As of the end of 2018, the amount of the national pension fund is over KRW 638.8 trillion. The NPS has become one of the three largest pension services in the world with a strong influence on the global financial market. Accordingly, the stakeholders are increasingly interested in fund management profit, transparency, and responsible investment.</p>	<p>Our Approach</p> <p>The NPS maintains stable profit rate by diversifying fund investment and strengthening infrastructures. We also strengthen responsible investment and transparency by adopting Stewardship Code, preparing for the responsible investment guideline, and disclosing details of fund investment.</p>	<p>Our Performance(2018)</p> <p>Target fund management profit rate achieved</p> <p>100%</p> <p>Practice of responsible investment and stockholder's rights</p> <p>Adoption of Stewardship Code</p> <p>Number of methods to inspect legal compliance of fund management</p> <p>42 cases</p>	<p>Our Plan(2023)</p> <p>Target fund management profit rate achieved</p> <p>100%</p> <p>Practice of responsible investment and stockholder's rights</p> <p>Expanded scope of stockholder's rights and responsible investment</p> <p>Number of methods to inspect legal compliance of fund management</p> <p>52 cases</p>
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Stable Income Growth

Profitable Portfolio

Portfolio Status of the National Pension Fund

The National Pension Fund has reached KRW 638.8 trillion as of December 2018. The financial assets account for KRW 638.2 trillion or 99.9% of the entire fund. The welfare and other sector account for KRW 144.6 billion and KRW 419.6 billion or 0.1% of the fund. On the one hand, the national pension reserve fund has exceeded KRW 700 trillion in July 2019 for the first time in the 31-year history of the national pension system. This precious achievement was made in spite of the difficult internal and external economic situations like the trade dispute between U.S. and China. The reserve fund corresponds to 37% of GDP of Korea in 2018, which is KRW 1,893 trillion.

Outcome of National Pension Fund Management

Cumulative profit from the National Pension Fund since 1988 is KRW 294.1 trillion, and average annual profit rate is 5.24%. Although trade disputes among power nations, currency deflation and weakening of the domestic and global financial markets had an adverse effect on the short-term profit rate of the fund in 2018, domestic and foreign bonds that account for over 50% of the fund assets recorded a satisfactory profit rate (4.85% for domestic bonds and 4.21% for foreign bonds) due to the increase of gain on valuation of bonds caused by the decline of domestic interest rates, etc. Alternative investment assets which are being expanded in the mid- to long-term showed a profit rate of 11.8% (8.05% for domestic assets and 13.68% for foreign assets) with stable dividends, interest earnings, satisfactory gain on valuation, etc. The NPS will continue to diversify its investment by expanding foreign and alternative investment to enhance the long-term profit rate.

Expanding the Base to Increase Stability of Profits

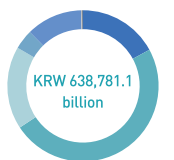
Expanding Global Investment

The NPS promotes a variety of overseas investments such as stocks, bonds and alternative assets. As of the end of 2018, the amount of overseas investments was KRW 191.9 trillion corresponding to 30.1% of the reserve fund. The NPS plans to increase the ratio of overseas investments to about 40% by 2022 in order to stabilize profits from the National Pension Fund.

External Management

The NPS disperses risk of fund management by outsourcing. To diversify profit sources, a portion of the fund is entrusted to external fund management companies. The NPS divides fund management into internal management and external management considering the large scale of the fund. The target scope of external management is approved by the Fund Management Committee. In addition, NPS Investment Management operates the External Management Selection Committee, where external experts hold a majority of members, for fair selection of excellent external manager. The NPS regularly inspects and manages the compliance of external managers with the guideline, management conditions and fund management performances.

Investment Portfolio of the National Pension Fund (%)



Domestic equity	17.1
Domestic fixed income	48.7
Global equity	17.7
Global fixed income	4.2
Alternative investments (domestic + foreign)	12.0
Short-term asset	0.3
Welfare	0.02
Other	0.1

Global Investment Status

Global Equity Status (%)

Financing	16.90
IT	14.26
Healthcare	12.97
Consumer discretionary	10.70
Industrials	9.68
Communication	8.59
Consumer staples	7.66
Energy, raw materials, etc.	17.83

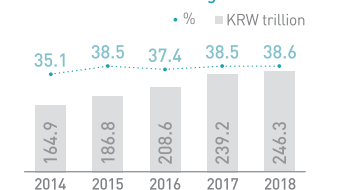
Global Fixed Income Status (%)

Government bonds	48.9
Government-related bonds	20.7
Corporate bonds	21.6
Securitized	6.8
Others	2.0

Global Alternative Investment Status (KRW billion)

Real estate	21,064.8
Infra	14,693.8
Private equity	15,287.2
Hedge funds	1,167.2

Trend of External Management



Reinforce Responsible Investment

Creating a Base for Responsible Investment

Creating an Institutional Base for Responsible Investment

The scale of responsible investment (sustainable investment) in the environment, society and governance structure is increasing. The global responsible investment assets have exceeded USD 30 trillion (about KRW 35 quadrillion) last year. South Korea prepared the legal grounds for responsible investment to consider ESG factors in relation to fund investment through the amendment of the National Pension Act (Article 102, Clause 4) in January 2015. A new article was added to the Fund Management Guideline (National Pension Fund Management Guideline, Article 17 Responsible Investment) in April 2016 to create an institutional environment for continuous promotion of responsible investment of the National Pension Fund.

Strengthening Responsible Activities of Recipients

Adopting Stewardship Code

The NPS has been conducting a 'research on Stewardship Code for national pension' since July 2017 and collected opinions from different areas such as the (former) Committee Specializing in Executing Voting Rights and public hearings based on the research results. The Fund Management Committee reviewed and resolved the 'principles of responsibility of the National Pension Fund recipients' in July 2018 and announced the adoption of Stewardship Code.

Promoting Responsible Activities of Recipients

The 'Committee Specializing in Recipient Responsibility' (by reorganizing the former Committee Specializing in Executing Voting Rights): special committee on execution of voting rights into the current special committee on responsible invest & governance, comprised mainly of private experts representing the subscribers in order to strengthen independence. Independence of the national pension stockholder's rights was reinforced by making the committee approve and inspect primary stockholder's activities of national pension.

With adoption of the Stewardship Code, the NPS has undertaken a broader scope of activities in pursuit of executing shareholder rights, beyond the limited activities of voting and request for reasonable dividend payout policies toward corporate dialogue, focus lists and litigation to the widened extent. To support the new activities, the NPS has prepared a set of guidelines on focus lists and litigation to faithfully fulfill the duty as a responsible manager of a public pension service.

Execution of Shareholder Rights

The NPS faithfully exercises votes on its public stockholdings so as to benefit all subscribers and recipients of national pension. The NPS executes voting rights in accordance with the predefined, objective and transparent procedure. The outcome of voting is disclosed on the NPS website within 14 days after the general meeting of stockholders. In 2018, the NPS participated in 768 general meetings of stockholders and executed voting rights for 2,864 agendas.

What is Responsible Investment?

Responsible investment is a type of investment that comprehensively considers financial indicators of a company and non-financial factors that can affect corporate values such as Environment (E), Society (S) and Governance (G) when making investment decisions. The purpose is to enhance long-term profit.

Principles on Responsible Investment & Governance of NPF

- 1 Development and announcement of the general policy regarding the code
- 2 Development and announcement of the policy for prevention of conflict of interest
- 3 Periodic monitoring of investee companies
- 4 Development and execution of the guidelines on shareholder engagement
- 5 Development and announcement of voting policy, and disclosure of voting record and commentary
- 6 Periodic reporting of the code-related activities
- 7 Enhancement of capabilities and expertise

Enhancing Transparency and Infrastructure

Enhancing Transparency of Fund Management

Disclosing Decision Making Process and Investment Status

The NPS separately operates the Risk Management Committee, Investment Committee, Alternative Investment Committee and Investment Management Committee comprised of internal and external experts to increase expertise of each area and transparency of decision making. We are also expanding areas of information disclosure for transparent fund management such as all domestic and trying to increase transparency by hosting national presentations.

Areas of Fund Management Information Disclosed

Category	Previous	Revised
Domestic equity	Over 5% of the total issues	Entire holdings
Domestic fixed income	Top 10 holdings	The investment amount for each issuer
Global fixed income	Top 10 holdings	Entire holdings

* The NPS disclosed fund management information of the global equity before expanding disclosed area for other stocks

Strengthening Management Infrastructure

Expanding Organizational Infrastructure

NPS Investment Management was reorganized in 2018 for the goal of creating a future-oriented organization. Especially, in relation to Stewardship Code implemented in July 2018, 'Responsible Investment Team' under Management Strategy Office was expanded and reorganized into 'Global Responsible Investment & Governance Division,' which is the control tower for responsible investment based on execution of stockholder's rights and consideration of ESG. The alternative investment organization divided into different regions was reorganized according to assets (private equity investment, real estate, infrastructure) to increase expertise. IT Division was newly formed to promote efficient support of financial and investment information related to the fund. Meanwhile, the NPS has reinforced primary functions of the back office and middle office to cope with internal and external environmental changes by creating External Affairs Division that communicates with the stakeholders on fund management.

Efforts to Secure Talented Individuals

The NPS strives to increase expertise of stock management by securing talented portfolio managers through external experts in the selection process. In order to maintain excellent talents, for employees who show excellent performance in fund management are provided with preferential contract renewal conditions based on performance.

03 Strengthening Welfare Services Recognized by the Public

Sustainability Material Issue



Context

The stakeholders are demanding to resolve social issues as a public institution. The national economic participation rate of persons aged 55 years or above was 56.7% and employment rate was 55.2% in 2018. The stakeholders are also demanding a society where the disabled and non-disabled can coexist.

Our Approach

The NPS is expanding the retirement planning service for all citizens in preparation for old-age poverty. It also reinforces the personalized welfare service for the disabled. In addition, various efforts are made to ensure economic independence and stable livelihood of the socially vulnerable groups such as basic pension recipients and elders.

Our Performance(2018)

- Recognition of retirement planning: **92.8** points
- Rate of disability assessment on time (disability pension): **95.0%**
- Achieving rate for basic pension receipt (legal receipt rate): **67.1%**

Our Plan(2023)

- Recognition of retirement planning: **93.8** points
- Rate of disability assessment on time (disability pension): **98.0%**
- Achieving rate for basic pension receipt (legal receipt rate): **70.0%**

Expand Retirement Services for Everyone

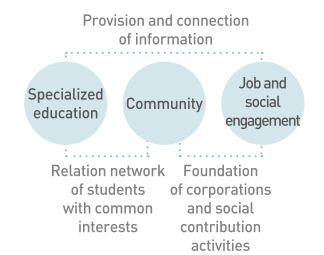
Support Old-Age Life

Retirement Planning and Replenishment of the Middle-Aged

The NPS launched the first public retirement planning service in 2008 and provides diverse services for people to plan their life after retirement. The retirement planning service of the NPS is a comprehensive service that includes diagnosis, counseling, education, connection with related institutions and follow-up management instead of being a one-time service. In particular, the retirement planning service specialized in the middle-aged is a service for the middle-aged (50~64 years) who are about to enter old-age without properly planning their retirement due to support of parents and child care. The NPS has designed a special service model based on thorough preparation to provide education and job-seeking.

By providing a distinctive service for the middle-aged at each regional headquarters, the NPS helped independence and social engagement of 311 persons in 2018. By opening the professional retirement planning instructor position to the private, the NPS created 63 private jobs for the middle-aged.

Business Model of the Specialized Service for the Middle-Aged



Outcome of the Service Specialized in the Middle-Aged

Education programs	12 programs
Number of participants	311 persons
Communities	131 communities
Jobs for the middle-aged	31 jobs
Satisfaction level of education	95.3 points



Retirement planning sketch

510,000 persons
Retirement planning students increased by 50,000 persons compared to previous year



Received "Excellence Award" among exemplary cases of the Asia-Pacific region for retirement planning service of the NPS from ISSA

Strengthening Retirement Planning Service

Providing Practical Retirement Planning Service

Internalization of the service and follow-up management of users are essential to increase quality of the retirement planning service. Accordingly, the NPS has created a complete service model based on diagnosis, counseling and follow-up management to provide help on practical retirement planning. In addition, the NPS is expanding and operating related education programs so that all people can receive generalized retirement planning education. The NPS has led the efforts to create the groundwork for collaboration on the retirement planning service, such as formation of a retirement planning support council of 21 institutions.

Improving and Expanding Retirement Planning Service

Category	Description	Performance
Creation of a complete model for the retirement planning and counseling service	· Creation of a complete model that includes categorization of the service according to customer needs ▶ Diagnosis ▶ Counseling ▶ Follow-up management	· Complete counseling of 3,467 persons ▶ 58.7% practice rate including retirement living expense planning, leisure activity, daily 30-minute exercise, etc.
Expansion of education programs and targets	· Expansion of permanent education programs from one place to seven business headquarters around the nation · One-on-one counseling of students after education	· Number of students for permanent education increased from 1,490 persons with 36 sessions to 12,264 persons with 429 sessions · Number of persons educated increased from 460,000 to 510,000 persons
Formation of a retirement planning support council	· Formation and operation of a 3-level council (central-administrative-regional)	· Service satisfaction score increased by 7.7 points 83.4 → 91.1 points

Strengthen Tailored Welfare for the Socially Vulnerable Group

Improvement of the Disabled Support System

Renovation of Disability Rating System

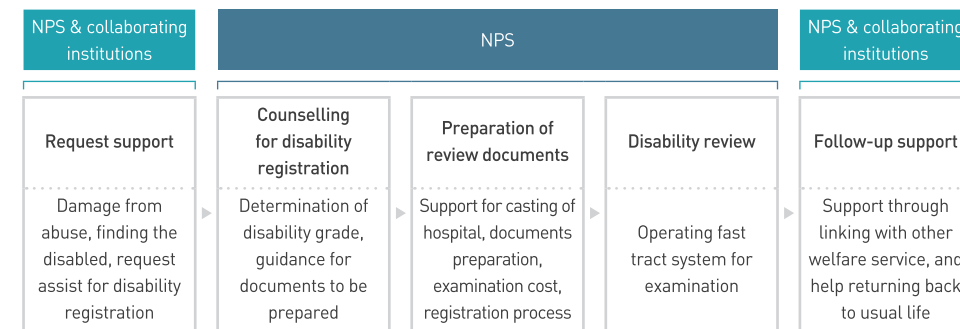
To support the disabled, the Korean government adopted 'stepwise abolition of the disability rating system and implementation of a comprehensive support system' (national project 42-1) and is establishing a service system centered on demanders (disabled) considering the desire and social environment of individuals. Following the government policy, the NPS has simplified the 6-grade disability rating system into the disability review system (severely and moderately disabled). The disability registration system was reorganized to provide reduction and discount. In addition, the NPS has introduced a 'comprehensive service survey' to consider the desire and environment of the disabled and expanded the scope of support to include assistive devices, residential facilities, emergency safety and daytime activities.

119 Urgent Supporting System for Human Rights of the Disabled

In order to support disability registration process for the disabled persons who are unregistered as socially neglected and victim of abuse, the NPS is running '119 Urgent Supporting System for Human Rights of the Disabled' program and strengthening social security system.

The time taken for application examination for the disabled persons who are unregistered as socially neglected and victim of abuse, is 4.3 days in average which is shortened by 3.8 times compare with other regular examination period taken for other usual disabled persons.

Process for 119 Urgent Supporting System for Human Rights of the Disabled

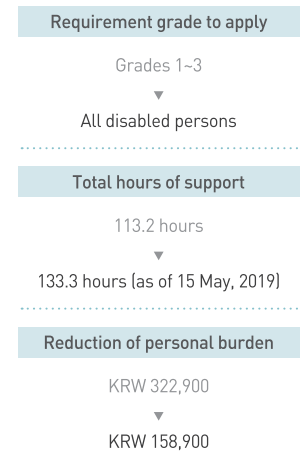


Simplifying Review for the Disabled

There must be optimal review method and procedure for the disabled persons to undergo accurate review without experiencing inconveniences. Accordingly, the NPS minimizes inconveniences during disability review by constantly inspecting and improving the disability review method and procedure. The NPS operated a council on disability review regulations in cooperation with the Ministry of Health and Welfare. Early disability pension recipients were expanded by shortening the pension period and easing the review criteria.

Recipients of renal disability pension who receive hemodialysis had to bear the review cost because they had to submit review data (hemodialysis records, etc.) in every two years. The NPS has simplified the review process by confirming renal transplant information with Korea Centers for Disease Control and Prevention and receiving hemodialysis information from Health Insurance Corporation, thus reducing the burden for review cost by KRW 1.73 billion per year.

Changes after Reorganization of the Support System



Burden for review cost reduced by

KRW **1.73** billion per year

Guaranteeing Economic Independence and Stable Livelihood

Operating Stable Livelihood System for Elders

The basic pension receipt rate in 2018 was 67.1%, which is the highest rate in history. A total of 5.126 million persons are receiving basic pension. This is the outcome of transferring 510,000 new recipients by providing guidance on basic pension. Also, the plan to increase the amount of basic pension will be put forward by two years, offering early increase of up to KRW 300,000 per month for bottom 20% income group in April 2019, bottom 40% in 2020 and bottom 70% in 2021.

Furthermore, the NPS operates a livelihood stabilization system for elders such as silver loan and lonely death prevention programs to help recipients aged 60 years or above who need urgent money but cannot receive financial aid.

Silver loan is an emergency loan service of the NPS that provides up to KRW 10 million for national pension recipients aged 60 years or above. This service was started in May 2012. In addition, the NPS operates various social value actualization programs such as the health sustaining business to prevent lonely death of elders.

Life Support Programs for Elders Who Live Alone

Category	Description	Performance
'Health sustaining' beverages	<ul style="list-style-type: none"> Health care and checking by Yakult delivery persons who deliver health beverages to recipients aged 75 years or above who live alone Collaboration of the NPS, Korea Yakult and Comprehensive Support Center for the Elderly Living Alone 	444 persons supported Award from the Ministry of Health and Welfare for the excellent social contribution program
Heart-connecting social volunteering	<ul style="list-style-type: none"> Support of old-aged recipients who live alone in need of help, found during confirmation of the pension benefit right Provision of daily necessities, installation of residential safety supplies, cleaning, emotional support (companion service), etc. 	4,880 persons, KRW 390 million supported
Consensus traveling of recipients	<ul style="list-style-type: none"> Overnight trip to Jeju Island for recipients living alone who have limited access to cultural activities due to economic difficulties 	480 persons supported Increased by 240 persons compared to previous year
Recipient groups	<ul style="list-style-type: none"> Support of energetic old-age life after retirement Support of volunteer activities of recipient groups in connection with social welfare centers 	81 groups, KRW 360 million supported

KRW **300,000**
Early increase of basic pension for the low-income group

93.2 points
User satisfaction level of emergency old-age loan (silver loan)

7,241 persons
Targets of old-age, child and adolescent recipient livelihood support



'Health sustaining' beverages



Consensus travel of recipients

Supporting Independence and Growth of Children and Adolescents

The NPS is promoting businesses to support independence and growth of children and adolescents by sponsoring Didim Seed Savings Accounts and scholarships. In 2018, the NPS helped 1,262 children who are recipients of pension for the bereaved through Didim Seed Savings Accounts. We are supporting independence and growth of children and adolescents by providing total scholarship of KRW 200 million to 175 recipients, children and grandchildren.

When a child saves a fixed monthly amount in a 'Didim Seed Savings Account,' the national or local government also deposits the same amount for up to KRW 30,000 per month. The NPS provides KRW 40,000 per month for each person.

04 Realizing Sustainable Social Values

Sustainability Material Issue



<p>Context</p> <p>For public institutions and corporations, it is becoming increasingly important to create social values for the public interest and community development in addition to economic values. Especially, with the 'Basic Bill on Actualization of Social Values by Public Institutions,' creation of social values is recognized as an essential part of operating public institutions.</p>	<p>Our Approach</p> <p>The NPS has set forth a system, strategy and task to actualize social values such as safety, ethics, human rights, job creation, shared growth, and community development.</p>	<p>Our Performance(2018)</p> <p>Transition of contracted employees to permanent 1,231 persons</p> <p>Comprehensive integrity score, grade 2 8.64 points</p> <p>Information security management evaluation 79.57 points</p>	<p>Our Plan(2023)</p> <p>Rate of contracted employees Maintaining 0%</p> <p>Comprehensive integrity score, grade 1 9.00 points</p> <p>Information security management evaluation 83.40 points</p>
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Safety and Environment Management

Top-Level Public Information Management

Strengthening Personal Information Protection Management

The NPS possessing massive pension information strives to protect precious personal information of people with a sense of responsibility. It constantly seeks for the advancement of personal information management by analyzing internal and external environment and collecting opinions of the stakeholders. In 2018, an encryption-decryption system was implemented to strengthen the control of encrypted communication traffics. The Advanced Persistent Threat (APT) system was improved to gain the ability to respond to cyber threats. Infrastructures to protect personal information were strengthened by introducing an encryption system for personal identification information. Realistic simulation training was conducted to help employees recognize and respond to the importance of personal information. Based on such efforts, the NPS achieved zero personal information leakage accident for 8 consecutive years, zero cyber threat infringement incident for 7 consecutive years, and highest grade of personal information protection for 4 consecutive years.

Creating Optimal Information Security Environment

The NPS has acquired certification for an international standard information management system to verify suitability of the information security system and maintain optimal information security environment. It has maintained ISO27001 certification for three consecutive years, and a defect-free information security system was established with zero problems found during certification. PIMS certification of Korea Internet & Security Agency was also acquired to create defect-free information security environment.

Enhancing Information Protection Awareness

The NPS conducts participatory events and education programs to enhance the information protection awareness of employees. Information Security Festival was held in 2018 to promote activities like daily information security quiz and finding vulnerable security windows program. Opinions (23 cases) of employees to improve information protection helped strengthen the information protection capability of the NPS. Demand-based education and professional education programs are in operation, and the number of information protection education participants was increased by 17% compared to previous year to 21,300 persons. The ratio of persons satisfied with education was 99.7%, increased by 3.5% compared to previous year. The NPS also operates 'Making Safe Cyber World with NPS' to enhance information awareness of the local community.



Declaration of safe management practice

99.54 points
Highest personal information protection level for 4 consecutive years

21,300 persons
Number of information protection education participants



Production of webtoon to enhance information protection awareness

Strengthening Capacity for Disaster Response

Creating a Comprehensive Safety Management System in Response to Industrial Accidents and Disasters

The NPS has established a standard operating procedure that includes a CEO-centered management system and cooperation with related institutions. It has strengthened the ability to respond to industrial accidents and disasters by preparing an integrated disaster response system that provides prompt support for each disaster type. ICT Center has increased ability to restore troubles, and the NPS strengthened its ability to cope with emergency situations by securing safety of national infrastructures and building an online BCP process for fund management. By promoting proactive prevention activities such as removal of potential risks in the office building, zero accident rate was attained. The NPS received an award from the Minister of Public Administration and Security as an excellent civil defense and safety institution.

'Zero' accident rate
Number of cyber infringement accidents and facility safety accidents

Safety Management of Facilities that Are Easily Accessible

The NPS secures safety of people and employees by removing potential risks of facilities in operation. The NPS applies a seismic design to its office building and evaluates seismic performance. In addition, construction, electricity, gas, machine and firefighting items are inspected in accordance with the systematic building safety inspection indicators. Zero facility safety accident occurred in 2018.



Acquiring seismic safety certification for NPS facilities

Enhance Safety of the Socially Vulnerable Group in Alignment with Business

The NPS is constant expanding the public safety business in connection with its businesses, especially concentrating on supporting daily safety of the socially vulnerable group and seniors in poverty. 'Heart-connecting social volunteering' is a service that installs anti-slip safety bars in houses of seniors who live alone. Other activities include health sustaining beverages and phone calls.

Eco-friendly Management

Climate Change Response and Environmental Conservation Activities

The NPS set a target for cutting GHG emissions by 30% by 2020. To that end, a task force was formed, and the employees in charge were trained on the implementation targets, raising awareness of GHG reduction. Moreover, enterprise-wide efforts are being made to reduce GHG emissions and energy consumption, such as buying eco-friendly vehicles and replacing lights with LED. In addition, The head office where designed as an eco-friendly low-carbon building with 1st grade of energy efficiency level. Furthermore, we have implemented energy saving campaigns in which all employees participate.

BEST PRACTICE

Making Safe Cyber World with NPS

The NPS creates social values by utilizing its information protection capacity. 'Making Safe Cyber World with NPS' is a program to spread the information protection awareness in the local community. Various activities such as information protection consulting, information exchange with universities, and events for children and adolescents were carried out in 2018.

Comprehensive information protection consulting activities	Activities	· Pro bono activities of employees by visiting three institutions in Jeonju
	Performance	· Inspection of vulnerabilities of the information system and conduct of tailored information security education · Formation of the groundwork for internal information security activities
Formation of an information exchange system with universities	Activities	· Cooperation with Woosuk University
	Performance	· Provision of opportunities for professors and students of Woosuk University to learn about the information security system · Enhancement of understanding of students majoring in information security
Security dream tree event	Activities	· 'Challenge Information Security Golden Bell Quiz' and personal information education for Manseong Elementary School · Information security career counseling and education for Onbit Middle School
	Performance	· Formation of proper cyber ethics in children and adolescents · Provision of career exploration opportunities

Ethical and Human Rights Management

Spreading Ethical Management and Integrity Culture

Expanding Ethical Management Infrastructures

The NPS endeavors to strengthen ethical management by reorganizing its ethical management organization and standards. The ethical management organization was elevated its position to an organization directly under the chairman and CEO. The NPS increases integrity of its employees by reforming the standards such as the ethics charter, code of conduct, personnel regulation, etc.

Internalizing Ethical Management

The NPS attempts to reduce the possibility of ethical violations by conducting systematic and tailored ethics education for employees. Ethics education of the NPS is managed by tailored education according to job position and duty. This education program contributes to internalization of the ethical and integrity awareness of all employees. Based on the integrity measurement conducted by the Anti-Corruption & Civil Rights Commission in 2018, the NPS received an overall integrity score of 8.64 points including external integrity of 8.73 points, internal integrity of 8.60 points and policy customer score of 8.33 points. The employee ethical awareness index was 90.0 points, increased by 5.1 points compared to previous year.

Operating an Organized Internal Checking System

The NPS operates an independent and professional internal checking organization comprised of internal and external experts. The Auditor's Office, external experts such as non-executive directors, and compliance officers monitor overall process of business implementation including planning, progress and follow-up management., increasing the effectiveness of business and reducing the budget through preliminary routine audits. In addition, the NPS strives to prevent risk factors in management through efficient audit activities using the IT system. Branches conduct self-inspection on items related to careless management on a monthly basis. After analyzing the results, the Auditor's Office notifies disciplinary warnings to any improper cases. On the one hand, we also perform focused inspection on vulnerable areas including employment, budget execution and information protection to continuously improve unreasonable customs and systems.

Revitalizing Report Channels and Compliance Counseling

The NPS confirms violation of ethical management through its audit activities. To resolve the blind spot of auditing, various public whistleblowing systems are in operation. A perfect ethical management system has been formed by revitalizing compliance counseling. The NPS operates various report channels including Helpline and Power Harassment Report Center. Integrity Help Desk provides legal counseling services related to the Improper Solicitation and Graft Act.

Tailored Ethics education

Category	Education title and performance	Persons
Level of job	New employees	Education on the Improper Solicitation and Graft Act and integrity knowledge 1,118
	Promoted employees	Education on responsible business handling and anti-corruption 382
	High-ranking employees	Integrity education to foster integrity leadership 142
Duty	Common	Online education on the Improper Solicitation and Graft Act and public whistleblowing 6,218
	Contract	Integrity education for contract-related workers of the head office 26
	Fund	Integrity education for compliance officers and internal control officers 123
	Integrity related	Training of integrity instructors and education of anti-solicitation officers 131



Integrity Cultural Festival



Integrity campaign

Grade 1

[3 consecutive years]
Anti-corruption policy evaluation

Human Rights and Labor Rights

Forming a Proactive Human Rights Management System

Under the vision of 'leading and spreading human rights management of the public and private sectors based on human-centered management,' the NPS has established a human rights management system to lead public institutions. The Human Rights Management Committee was organized by participating in the pilot business of the ACRC for human rights management. The NPS prepared for the human rights management charter and guideline based on expert opinions like the committee. The Human Rights Management Committee comprised of various stakeholders plays the role of deliberating and resolving the human rights management guideline and relief procedure. All departments comply with the human rights management guideline and practice human rights management as appropriate for each area.

Human Rights Management Activities

The NPS declared the joint human rights management charter for management and labor during its 31st anniversary event. The charter of human rights management stipulates the practice of and promise for human rights respect of the NPS in all management activities related to the stakeholders including employees, partners, customers and communities.

In addition, the NPS participated in the pilot business of the ACRC for human rights management, and NPS was presented as an exemplary case at the 2018 Human Rights Forum hosted by the ACRC. They were shared with all public institutions as a standard example of human rights management.

Internalizing Human Rights Management

In 2018, the NPS conducted human rights infringement prevention education including human rights awareness education for 6,218 employees and violence education for 6,915 employees to internalize the human rights culture. Human rights education was carried out on various topics such as human rights management of public institutions and human rights sensibility. Moreover, various report channels are operated to increase the human rights infringement report rate. The whistleblower relief procedure was strengthened to increase the effectiveness of human rights management.

Efforts to Eradicate Power Harassment

The Korean government announced the 'Guideline to Eradicate Power Harassment in the Public Sector,' starting with the 'Comprehensive Measure to Eradicate Power Harassment in the Public Sector' in July 2018. The public interest in power harassment* is also increasing. The NPS prepared the 'NPS Power Harassment Eradication Guideline' in order to prevent power harassment among stakeholders such as bribery, unfair personnel management and workplace harassment. 'Power Harassment Report Center' is in operation to protect and help victims of power harassment. Moreover, the NPS conducts education on ethical and human rights management including power harassment and makes efforts to remove and identify risks by carrying out surveys.

* Power harassment: Unjust demand or treatment by a person of higher standing in a social or economic relationship, exercising an actual influence that arises from superiority of position

Composition of the Human Rights Management Committee

Member	Personal information
Executive Director	Planning Director
Labor Union	Deputy Chairman
Head of Human Rights Management Department	General Manager of the Social Value Realization Group
Human Rights Expert	Professor
Subscriber Representative	Manager at UNGC
Recipient Representative	Recipient
Partner Representative	Cafe 36.5
Local Community Representative	Lawyer

Creation of High-Quality Jobs

Creating High-Quality NPS Jobs

Sharing Jobs

The NPS creates high-quality jobs by shortening overtime work of existing employees and introducing various labor methods. The NPS employed 50 additional employees in 2018 through wage concession of existing employees and shortening of overtime work. This activity was acknowledged as a leading job-sharing outcome and received a commendation from the Deputy Chairman of the Presidential Committee on Jobs. The NPS diversified labor types through shortening of working hours and early leave and created 44 more jobs by reinvigorating the leave of absence systems such as parental leave and self-development leave.

Transition of All Contracted Employees to Permanent by 'Direct Employment'

The NPS strives to increase quality of employment and resolve discrimination through transition of contracted employees to permanent employees. In particular, year 2018 was a meaningful year in which all of 1,231 contracted employees were turned into permanent employees through 'direct employment.' This is significant because our original goal was to complete transition of contracted employees by 2019. This was made possible only because all employees faithfully engaged in the negotiation process. Especially, transition of Call Center and IT outsourcing workers to permanent employees by direct employment was an exemplary case among public institutions, which is benchmarked by other institutions.

Efforts to Employ and Foster Local Youths

The NPS was relocated to Jeonju, Jeollabuk-do in 2015 to resolve regional imbalance and improve balanced life of people. The NPS employed 191 youths of Jeollabuk-do from 2015 to June 2019. Starting in 2019, the NPS is operating 'Open Campus' to provide job and field training for university students in cooperation with local universities.

Creating Jobs Through Labor-Management Collaboration

The NPS tries to create high-quality jobs based on the cooperative labor-management relationship. All employees participated in job sharing, and the 'Permanent Transfer Council' is an exemplary case of permanent transfer that decided transfer of all contracted jobs to permanent. The 'Joint Labor-Management Committee' operated by the management and labor was launched in February 2018 with the chairman of the NPS and labor union head as the joint committee chairmen. The labor and management are actively cooperating to create jobs and improve the organizational culture of respect by participating in the special lecture on job policy by the Vice Chairman of the Presidential Committee on Jobs.



Commendation from the Vice Chairman of the Presidential Committee on Jobs

1,231 persons
Number of contracted employees turned into permanent employees by direct employment



Hosting of the Human Rights Management Committee



Declaration of the joint human rights charter of management and labor



Education to internalize human rights management



Inauguration ceremony of the Joint Labor-Management Committee



Joint participation of the labor and management in the special lecture by the Vice Chairman of the Presidential Committee on Jobs

Creating NPS-Type Private Jobs

Supporting Creation of Private Jobs Using Core Capabilities

The NPS leads creation of private jobs by using its core capabilities and business characteristics. The NPS created 63 quality jobs by opening the retirement planning instructor position to the public with diverse background and expertise such as financing, public institution retirees and oriental doctors. In addition, the NPS has established a job recommendation system using big data of the national pension in July 2018, providing tailored job information to the job-vulnerable group such as unemployed and retired workers through 109 branches. In 2019, the NPS is cooperating with Korea Labor Force Development Institute for the Aged to build a 'job recommendation system for elders.'

Creating Private Jobs Using Core Capabilities

Pension system	<ul style="list-style-type: none"> Creation of jobs and retirement planning instructors through education specialized in the middle-aged Supporting the middle-aged and job-vulnerable group return to work through the job recommendation system Supporting companies expanding overseas (signing of social security agreements)
Fund management	<ul style="list-style-type: none"> Use of private financial institutions for entrusted fund management and operation of SOC investment asset management corporations Indirect support by fund investment with high job creation effects such as venture investment Supporting development of the financial market and growth of domestic asset management
IT and big data	<ul style="list-style-type: none"> Reinvigorating the regional IT industry through IT R&D centers Creating jobs through ICT innovation and informatization Supporting job policy of local governments using big data of the national pension

Social Economy and Creation of Local Jobs

To reinvigorate social economy and create local jobs, the NPS promotes various tailored job support businesses for government-related customers such as subscribers (youths, women with career break) and recipients (seniors) and customers of the retirement planning service and disability business (middle-aged and disabled) in connection with infrastructures and 'support of the socially vulnerable group,' which is the social value of NPS businesses. As a result, the NPS created 248 related jobs. In particular, the success model of Café 36.5, a cooperative for the socially vulnerable group, was spread to other public institutions of Jeonju.

At the same time, the NPS is contributing to creation of local jobs by promoting local businesses centered on Jeollabuk-do. The NPS continues to create IT-related jobs according to the advancement of its information system. The NPS employs local employees to manage and operate facilities of its head office building. New local jobs will be created with the construction of the second office building.

Social Economy and Local Job Creation Results

Category	Job creation area	Number of jobs created
Middle-aged	Startup of social economic compa-nies in connection with education for the middle-aged	31
Disabled	Job-seeking during disability regis-tration and regeneration of disused PCs	186
Recipients (seniors)	Startup and job-seeking in connec-tion with barista education of Ko-rea Labor Force Development Insti-tute for the Aged	18*
Women with career break	Foundation of Cafe 36.5, a coop-erative for the socially vulnerable group (5 branches)	13

* Total number of jobs created in 2019 through the ongoing business promoted from 2018 to 2019

Local Community Development and Win-Win Growth

Local Community Development

Strengthening Local Competitiveness

The NPS tries to make a developing community by strengthening local competitiveness. The NPS plans to create a fund management infrastructure and build a city specialized in the financial industry in Jeonju through industry-university-government cooperation. A large-scale information system advancement project of about 150 domestic ICT companies was carried out in Jeollabuk-do to create a local economic effect of about KRW 5 billion. The NPS greatly contributed to the regional ICT industry through technology transfer. The NPS also prioritizes local products and services in order to revitalize the traditional markets and support growth of local companies. In 2018, the NPS made total purchase of about KRW 3.4 billion to function as a stable customer of local producers.



Commenced ICT business of KRW 100 billion in Jeollabuk-do



Signed agreements to open local offices of foreign financial institutions



Opening ceremony of SSBT Jeonju Office



Joint hosting of Jeollabk-do International Financial Conference



Groundbreaking ceremony of the second NPS office building

BEST PRACTICE

The NPS is creating a fund management infrastructure and environment for a financial city as an effort to grow with the region. In August 2019, State Street Bank and Trust (SSBT), a global trust bank that provides financial services to 100 institutional investors around the world, opened an office in Jeonju. The NPS contributes to the creation of a financial infrastructure in Jeollabuk-do as more financial institutions are expected to come to Jeonju.

Invitation of domestic and foreign financial institutions to Jeollabuk-do	Description	<ul style="list-style-type: none"> Opening of Jeonju office of SSBT and Bank of New York Mellon, the no. 1 and no. 2 trust bank companies in the world Opening of Jeonju branch of SK Securities
	Performance	<ul style="list-style-type: none"> Formation of financial ecosystem in Jeollabuk-do by attracting foreign banks Contribution to creation of local financial jobs
Increased reception of financial institutions in Jeollabuk-do	Description	<ul style="list-style-type: none"> Increase of short-term fund reception of financial institutions in Jeollabuk-do after relocation of the NPS
	Performance	<ul style="list-style-type: none"> Before relocation: KRW 30 billion ▶ immediately after relocation: KRW 2 trillion ▶ by the end of 2018: KRW 7 trillion Increased ability to support real economy of local financing and positive effect on the local industries
Fostering fund management professionals	Description	<ul style="list-style-type: none"> Preparation of the groundwork to foster professionals specialized in public pension fund management (corporation-wide efforts of CEO, etc. to amend the National Pension Act)
	Performance	<ul style="list-style-type: none"> Preparation of the groundwork to foster local fund management professionals
Creation of a financial city infrastructure	Description	<ul style="list-style-type: none"> Development of Jeollabuk-do Financial Town in cooperation with Jeollabuk-do, joint hosting of Jeollabuk-do Financial Conference, and groundbreaking ceremony of the second NPS office building
	Performance	<ul style="list-style-type: none"> Development of the third financial center of Jeollabuk-do and driving season 2 of innovation city

Convenience of Residents and Revitalization of Local Economy

The NPS provides convenience to local residents by opening its office buildings around the nation. The head office building in Jeonju opens lecture halls, conference rooms and outdoor garden to the public and operates 'Pension Marketplace' for direct transaction of local farm products. 'Innovative Music Concerts' were held to provide a cultural opportunity and communicate with residents. About 900 guests were invited to two concerts, greatly contributing to the formation of local cultural infrastructures. In addition to the head office building of the NPS, 40 branch office buildings around the nation provide convenience to residents by opening sports facilities, parking lots and childcare centers. In 2018, 49,607 residents visited the office buildings of the NPS around the nation. Moreover, the NPS shares its big data with 78 local government entities to help establish policies for residents. Big data were provided to local governments of Siheung, Gunpo and Seongnam in 2018 to establish local policies related to transportation and welfare.



Regular operation of local farm product market



Supporting vehicle to social economic companies

Social Contribution Using Core Capabilities

Adding Love for Subscribers

The NPS operates a pension premium aid business for low-income subscribers, paying KRW 30,191,000 to low-income subscribers who have difficulty paying their pension premium in 2018. The NPS selected 70 single parents living in public facilities and provided KRW 37,177,000. The 'pension premium loan' business paid KRW 196,985,000 for low-income subscribers who reached the pensionable age but do not have enough subscription period.

Adding Love for Recipients

The NPS delivers supplies and provides volunteer activities to seniors who are emotionally isolated and have economic difficulties. In 2018, the NPS provided KRW 385,210,000 through installation of residential safety supplies for 4,880 seniors. In addition, the 'loving phone call' service is provided to seniors living alone to reduce the risk of social severance and increase quality of life. We provide 'Didim Seed Savings Accounts' to children of basic living security recipient families who receive bereavement benefits and support low-income single recipients with the 'Consensus Traveling Program.'

Adding Love for the Disabled

We promote the 'Consensus Traveling Program with the Disabled' and provide rehabilitation expense aid for children. The 'Consensus Traveling Program with the Disabled' is a program that provides traveling opportunities to the severely disabled persons who have economic difficulties. Employees of the NPS and disabled persons travel together through this program. In 2018, we visited places like Gyeongpo Aquarium, Gangneung Olympic Park and Cheongpung Resort with 480 disabled persons. In addition, the NPS provides rehabilitation expense aid for disabled children through one-person, one-sharing account activity. In 2018, we donated KRW 48,000,000 to help rehabilitation of 20 disabled children.

NPS Adding Love



'NPS Adding Love' expresses the social contribution spirit of the NPS that 'Happiness grows when love and sharing is added.' With 'NPS Adding Love', NPS is running social contribution activities for subscribers, recipients, the disabled, and local community.

Prime Minister's Award

Pension premium loan business

Adding Love for the Local Community

To contribute to the development of the local community in farming and fishing villages, the NPS set up a sisterhood relationship with 39 farming and fishing villages. We support farming, operate regional product markets, host parties for seniors on Parents' Day, and provide medical services. We also form sisterhood with local military, and market to exchange and share with residents in need. Other social contribution activities include emergency relief, activities replacing yearly closing ceremonies, and volunteering on national holidays.

Social Contribution Activities of the NPS*

Adding Love for Subscribers



- Pension premium aid for low-income subscribers
Amount provided in 2018 **KRW 30.2 million**
- Pension premium loans
Amount provided in 2018 **KRW 197.0 million**
- Single parent support
Amount provided in 2018 **KRW 37.2 million**

Adding Love for the Local Community



- Sisterhood activities
Number of sisterhood relationships in 2018 **39 villages, military bases, markets, etc.**
- Vitalizing traditional markets
Amount provided in 2018 **KRW 373.2 million**
- National holiday volunteering
Amount provided in 2018 **KRW 23.8 million**
- Local community volunteering
Number of volunteer activities in 2018 **518 times**
Volunteering hours in 2018 **5,251 hours**

Adding Love for the Disabled



- Consensus traveling program with the disabled
Number of participants in 2018 **240 persons**
- Happy accompaniment fund (one-person, one-sharing account)
Amount provided in 2018 **KRW 37.2 million**

Adding Love for Recipients



- Heart-connecting social volunteering
Amount provided in 2018 **KRW 385.2 million**
- Consensus traveling program for recipients
Amount provided in 2018 **KRW 288.0 million**
- Health sustaining beverages
Amount provided in 2018 **KRW 203.3 million**
- Didim Seed Savings Account for children of bereaved pension recipient family
Amount provided in 2018 **KRW 606.3 million**
- Hope-connecting scholarships
Amount provided in 2018 **KRW 182.3 million**
- Recipient groups
Amount provided in 2018 **KRW 356.9 million**

* Selecting among various social contribution activities of the NPS



Love-sharing donation ceremony



1-company to 1-village



Improvement of village environment

Ranked 1st
for 9 consecutive years
Selected as No. 1 public organization for social contribution by university students around the nation

Achieving Win-Win Growth

Strengthening Win-Win Growth Implementation System

The NPS has expanded the department in charge of win-win growth (Social Value Realization Group, Win-Win Cooperation Department) and designated employees in charge of win-win growth in 2018 to promote win-win growth based on its business characteristics. An officer (CCO) was appointed to spread the internal fair trade culture, actively listening to troubles faced by partners. The 'NPS Win-Win Growth Committee' was newly organized in 2019 to systematically manage win-win growth businesses of the NPS.

Promoting Win-Win Growth with Primary Businesses

The NPS promotes win-win growth with primary businesses. In 2018, the NPS conducted joint research on the patented data linking technology by working together with an IT partner (small enterprise). The partner was granted with the patent right, and the NPS reduced its business expense by over KRW 100 million per year. We also supported 650,000 small workplaces through Durunuri pension premium support, which amounted to KRW 730 million. The NPS also provides fund management opportunities to small-sized management companies. We have discovered and are maintaining 13 excellent small-sized fund management companies, among which 3 companies were newly designated in 2018.

"NPS+ IT R&D Center" was opened in Jeollabuk-do in June 2019 to promote win-win growth of the public and private sectors using ICT. The R&D center aims to open massive data of the NPS to all regional IT companies, universities and institutions. In addition, the NPS signed an agreement with Korea Financial Investment Association to develop a financial ecosystem in Jeollabuk-do.

Promoting Benefit-Sharing Tasks of the NPS

The NPS has further solidified its groundwork for growth by expanding the benefit-sharing system with partners. To achieve a shared goal of enhancing customer satisfaction, we are implementing cooperative benefit-sharing of service standards in regards to the 1355 Call Center. The NPS also engages in a technology benefit-sharing system in which patent rights are yielded to partners.

Creating a Fair Trade Culture

The NPS creates a fair trade culture by listening attentively to opinions of partners through online and offline channels. The fair trade culture was further developed in 2018 by improving related systems such as prevention of power harassment, eradication of unfair employment solicitation and expanded bidding opportunities for small businesses. We make efforts to settle down a sound contracting culture by accepting all down payment requests, using standardized contract forms and disclosing contract information.

In addition, the NPS complies with the Act on Contracts to Which the State is a Party when signing contracts with BTO companies that manage fund investment assets and has implemented a competitive bidding system using the Korea e-procurement system. They practice fair trading on the same level as the NPS by improving labor conditions and rights through deferred retirement and maximum of 52 working hours per week based on the Employment Promotion for the Aged Act and the Labor Standards Act.

AAA

for 5 consecutive years

Sustainability management index (10 out of 10 points for win-win management)

Supporting patent application of partners

Joint research conducted with small and medium IT companies



Signed an MOU to construct IT R&D Center



Win-win growth MOU signing with Korea Financial Investment Association

1st

Ranked for 6 consecutive years

Maintained highest quality index of the call center

Appendix

Corporate Governance

Composition and Operation of the Board of Directors

The Board of Directors is the highest decision-making organization of the NPS that deliberates and decides important management affairs. The Board of Directors reviews operating strategies and goals of the NPS and plays a role of the highest decision-making organization with an authority to supervise general affairs. The NPS complies with the National Pension Act (Article 30) and operates the Board of Directors in a balanced way with labor, management and government representatives and considering representativeness, expertise and specificity. As of December 2018, the Board of Directors is composed of the chairman, 4 executive directors and 7 non-executive directors. We tried to increase diversity by increasing the ratio of female non-executive directors to 25%. The Board of Directors was hosted 11 times in 2018, and the participation rate was 80%.

Performance of Board of Directors Operation

	Unit	2016	2017	2018
Number of board meetings	Times	10	11	11
Number of items	Cases	42	39	50
Participation rate	Executive directors	92.5	90.5	95.2
	Non-executive directors	84.3	77.9	69.8

Composition of Board of Directors

Category	Name	Affiliation and position	Remarks
Executive directors	Sung Joo Kim	NPS Chairman & CEO	Chairman
	Jeongbae Park	NPS Executive Director for Planning	Executive director
	Yongkuk Kim	NPS Executive Director for Pension Operations	Executive director
	Younghee Nah	NPS Executive Director for Welfare	Executive director
	Hyo Joon Ahn	NPS Executive Director for Fund	Executive director
	Yonggeun Kim	Vice Chairman of Korea Employers Federation	User representative
Non-executive directors	Youngguk Park	Korea Federation of SMEs, Head of Mutual Aid Business Group	User representative
	Sunggeung LEE	Secretary General of Federation of Korean Trade Unions	Laborer representative
	Jaegil Yu	Vice Chairman of Korean Confederation of Trade Union	Laborer representative
	Youngmi Yoon	Representative of Green Consumer Network in Korea	Local subscriber representative
	Seungeun Choi	Lawyer at Korean Bar Association	Local subscriber representative
	Geunhyeok Ryu	Head of Pension Policy Department of Ministry of Health and Welfare	Ex officio directors

Important Agendas at the Board of Directors in 2018

No.	Date	Key items	Participation rate	No.	Date	Key items	Participation rate
1	Jan. 23	Decided Business operation plan for 2018 (draft) and 2 others	72.7%	7	Aug. 31	Decided 3rd additional correction of budgets for 2018 (draft) and 1 other	91.7%
2	Feb. 27	Decided Partial amendment of personnel regulation (draft) and 6 others	91.7%	8	Sep. 20	Decided Partial amendment of personnel regulation (draft) and 3 others	66.7%
		Reported Business performance in 2017 and 2 others				Reported 4th financial calculation and fund management profit rate	
3	May 23	Decided 1st budget change for 2017 (draft) and 5 others	90.9%	9	Oct. 26	Decided Mid- to long-term management goal for 2019 (draft) and 1 other	58.3%
		Reported Change of plan for construction of Sejong office building				Reported Change of office relocation plan (draft) and 1 other	
4	June 26	Decided Decided Partial amendment of organization regulation (draft) and 1 other	90.9%	10	Nov. 27	Decided 4th additional correction of budgets for 2018 (draft) and 2 others	58.3%
		Reported Report on progress of transition of contracted employees to permanent				Reported Results of inspections of government offices in 2018	
5	July 19	Decided Partial amendment of personnel regulation (draft)	75.0%	11	Dec. 26	Reported 5th additional correction of budgets for 2018 (draft) and 7 others	100.0%
6	July 26	Decided 2nd additional correction of budgets for 2018 (draft) and 2 others	91.7%				

Professional Committees

The NPS, with the expertise of non-executive directors, operates professional committees in each area under the Board of Directors including Management Subcommittee, System Subcommittee, Fund Subcommittee, Social Responsibility Management Subcommittee, and Customer Rights Protection Subcommittee. Professional committees appoint committee members by considering the items of the Board meeting as well as the expertise of non-executive directors, and preemptive deliberations on items with high priorities are assessed before submission.

Board of Directors				
Management Subcommittee	System Subcommittee	Fund Subcommittee	Social Responsibility Management Subcommittee	Customer Rights Protection Subcommittee
1 executive director + 2-3 non-executive directors	1 executive director + 2-3 non-executive directors	1 executive director + 2 non-executive directors	1 executive director + 2 non-executive directors	1 executive director + 2 non-executive directors

Strengthening Engagement and Roles of Non-Executive Directors

The NPS is expanding the engagement of non-executive directors for reasonable decision-making. First, we use the board management system to conduct a precise follow-up management process for key managerial suggestions, amendment decisions and additional reporting items and preemptively notify key issues through real-time deliberation by the practitioners using a visual meeting system. Moreover, we are enhancing the efficiency of operating non-executive directors by sharing information about items and pending issues through SNS, SMS and emails and implementing preparation measures. In addition, we are raising the comprehension of the pending issues through participation in various field management including branch field experience and internal institution events and expediting knowledge and experience of the non-executive directors to field employees through face-to-face communication with the employees. The speaking ratio of non-executive directors in 2018 was 70.0%. Their satisfaction was 98.5%, increased to by 5.4P% compared to previous year.

Appraisal and Rewards

Executive directors receive differentiated payment annually after the appraisal of performance evaluations. External management evaluation of public institutions conducted by the Ministry of Economy and Finance as well as the internal ethical management practices and efforts for managerial improvement are measured and reflected in the results of the annual comprehensive assessment.

Human Resource Management

Strengthening Talent Cultivation and Capacity

Cultivating Talents to Attain Core Values of the NPS

The NPS strives to nurture leaders who can attain core values and achieve sustainable growth in preparation for future changes. Starting with the new education program to foster core next-generation leaders, the NPS conducted various education programs to increase professional capacities of employees. In addition, new programs were created and improved to practice social values and revitalize the organizational culture. Moreover, a three-step education system was established to train competent female managers and increase the ratio of female managers within the organization. Number of education hours per employee in 2018 was 75.53 hours, and education budget was KRW 720,000. The ratio of female managers was increased by 3.0P% compared to previous year.

Strengthening Systematic Training

The NPS is strengthening the groundwork for systematic training to foster creative and talented individuals who can communicate with expertise. Education techniques for HR leaders such as online (theory) and offline (practice) training are developed, and the HRD platform has been expanded for flip learning, micro learning and increased access to contents. The NPS creates an initiative learning environment and reinforces training of all job positions through efficient use of resources.

Open Recruitment and Respect for Diversity

Improving Recruitment Process

The NPS tries to prepare a fair recruitment procedure by removing prejudices and prioritizing competence in the recruitment process. This is done by applying the blind recruitment principle. Blind recruitment involves blocking of access to personal information about candidates. In addition to blind recruitment, we increase fairness and transparency of recruitment by also improving each stage of the recruitment system. An objection filing system for written examinations is in operation, and half of judges for interviews are composed of external members. The NPS discloses the cut-off score for document screening and the criteria for final selection.

Expanding Recruitment of the Socially Vulnerable Group

The NPS expanded employment of the socially vulnerable group in order to practice socially equal recruitment. The ratio of high school graduates for regular positions was set to 10% and the entry barrier of the disabled was eased. We also supported job finding of different socially vulnerable groups such as women with career break, young interns and job applicants. Such efforts led to an increase of employment of the disabled by 3.6 times compared to previous year, as well as excess accomplishment of legal and government-recommended policy goals for socially equal recruitment.

Recruitment in 2018

18 disabled employees 3.6 times ▲ compared to 2017	51 high school graduates 1.1 times ▲ compared to 2017	16 job discontinued females 48.5% among employees utilizing part-time working hours	286 Youth interns 50.5% ▲ compared to 2017	50 people requiring support for finding jobs 47.1% ▲ compared to 2017
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Forming Reasonable Labor-Management Relationship

Operating Labor-Management Communication Channels

The NPS forms a bond of sympathy between labor and management by operating various labor-management communication channels. We support stable labor-management relationship through systematic channel operation in different situations such as time of peace, emergency and prevention.

Category	Labor ⇔ Management	Management ⇒ Employee	Employee ⇒ Management	Labor-management ⇔ Outside
Time of peace	· Joint labor-management organization	· CEO consensus	· Management email, messenger	
	· Joint labor-management workshop	· Listening to CEO	· Free bulletin board	
	· Labor-management harmony activity	· Field management	· Innovation council	
	· Collective bargaining	· Branch director workshop	· Suggestion system	
	· Labor-management strategic, practical and business consultation	· Business presentation	· Work help desk	· Public engagement innovation group
Emergency	· Labor-management advisory group	· Letter	· ITSM	· Labor-management activity with community
	· Emergency committee	· Letter and SMS	· Survey	
Prevention	· Labor-management hotline		· Field watch group	
	NPS-Conflict Early Adjustment System			
Labor-Management Naturalia System				

Work and Life Balance

Support for Childbirth and Childcare

The NPS encourages work and life balance and childbirth by reinforcing its pregnancy and childcare support programs. The working hour shortening system was expanded from under 12 weeks and after 36 weeks of pregnancy to the entire pregnancy period. Ages of children to grant childcare hours were expanded from below 1 year to below 5 years. Childcare hours were increased from 1 hour to 2 hours a day. A new childcare encouragement system was established to shorten working hours of employees who have a child entering elementary school for a month. The work appraisal method and organizational culture were improved to encourage childcare leave of male employees. We only appraise work for the actual working period excluding childcare leave so that employees can go on a childcare leave without worrying about appraisal, and paternity leave for men was expanded. Male employees are also encouraged to use childcare leave in terms of organizational culture as the CEO participates in the 'father's childcare support campaign.' The ratio of male employees using childcare leave was increased by 4.25% compared to previous year.

Revitalizing Flexible Working Hours

The NPS implemented flexible working hours as a means to keep work and life balance of employees, identifying the needs of employees. Such needs led to various improvement measures. In 2018, 163 employees utilized part-time working hours and 943 employees used the monthly 2-hour early leave system. Satisfaction of employees who used flexible working hours was increased by 2.8 points compared to previous year.

Risk Management

Sophisticating the Risk Management System

Multiple Risk Management System

The NPS manages company-wide risks by type: system operation, fund management, and management support due to increase in risk factors followed by increases in subscribers, recipients, and fund size. In particular, we developed risk management plans in stages for systematic management of risk factors and respond to financial/non-financial risk factors of the NPS preemptively and efficiently by establishing a monitoring system for each specific area. Also, the NPS selected recruitment, safety, and internal control of fund management, etc. as new issues to manage to fulfil social responsibility and gain public trust.

Risk type	System operation	Fund management	Management support
Detailed type	Customer management	Strategy and support	Planning, public relations
	Subscription support	Stock, bond, alternative	Personnel, labor, general
	Wage management	Internal control	Financing, accounting, IT, research
	Welfare service		Pursuit of social values

Risk Management Monitoring

The NPS developed a response process for changes in indices by using 'NPS Risk Awareness Indices,' which was self-developed by integrating domestic/overseas financial market indicators, currency, and credential indicators in order to respond to the intensifying volatility in financial market. Moreover, we developed a response process for changes in indices by using 'NPS Risk Awareness Indices,' which were self-developed by integrating domestic and overseas financial market indicators, currency, and credential indicators in order to respond to the intensifying volatility of the financial market. In March 2019, we organized an emergency response team to monitor and respond to the trade dispute of U.S. and China and concerns for increase of interest rate by U.S.

Indicators and Inspection Items of Fund Investment by Risk Types

Type	Risk Indicators	Inspection Items
Market risk	Market VaR	Inspection and feedback on daily limits
Credential risk	CreditVaR	Daily inspection and feedback
	EDF early warning system	Portfolio adjustment
Active risk	Tracking Error	Regular inspection and feedback
Focused risk	Comprehensive exposure	Deliberation/decision-making of the Investment Committee, feedback
	National risk management	Level and limit adjustment (Investment Committee)
Legal and operational risks	Operational risk	Supplement after preemptive verification by item
	Legal risk	Contract review and legal risk management
	Reputation risk	Reinforcement of email control

Responsive Measures by Stage According to NPS Risk Awareness Indices

Type	Inspection Items	Responsive Measure
Normal 60 or below	Regular movement of market	Analysis and report of crisis scenario
Beginning of risk 60 to 80	Market begins to respond as risk emerges	Team leader-level TFT begin risk response
Intensified risk 81 to 100	Negative status that government authority begins to respond	Office head-level TF begins risk response Review fund plans and assess asset distribution
Recovered Drop down to 60 or below	Recovery to normal status without intensification	Inspect status of asset allocation

Stakeholder Engagement

Stakeholder Communication

Strategic Communication System

The NPS selected primary issues for each stakeholder, defined the stakeholders according to the issues, and created communication channels. We will continuously manage so that various concerns and requests of the stakeholders can be reflected in our social responsibility management.

Primary issue	Stakeholder	Direction for communication	Communication channel
Stipulating pension guarantee	Customers	· Creation of a public engagement and communication channel	National Debate, Public Engagement Innovation Group, recipient group, new media, etc.
Resolving misunderstanding about the pension system and fund		· Oral promotion using the friendly group · Fast spreading of information through new media	
Realizing social values such as job creation	Startup and venture companies	· Promotion of joint R&D projects	Joint project, MOU, education, community
Supporting growth of startup and venture companies		· Communication on startup support	
Implementing Stewardship Code	Press	· Prevention of negative press release through proactive publicity	Press release, expert contribution, press conference, etc.
Strengthening old-age income guarantee		· Guiding of policies related to the issue through visited presentation	
Securing transparency of fund management	Government and National Assembly	· Guiding of policies related to the issue through visited presentation	National Assembly report, aid staff presentation, etc.
Strengthening human rights management	Employees	· Creation and spreading of open discussion culture to achieve common goals	Joint Labor-Management Committee, Human Rights Management Committee, etc.
Transferring contracted jobs to permanent	Labor union		

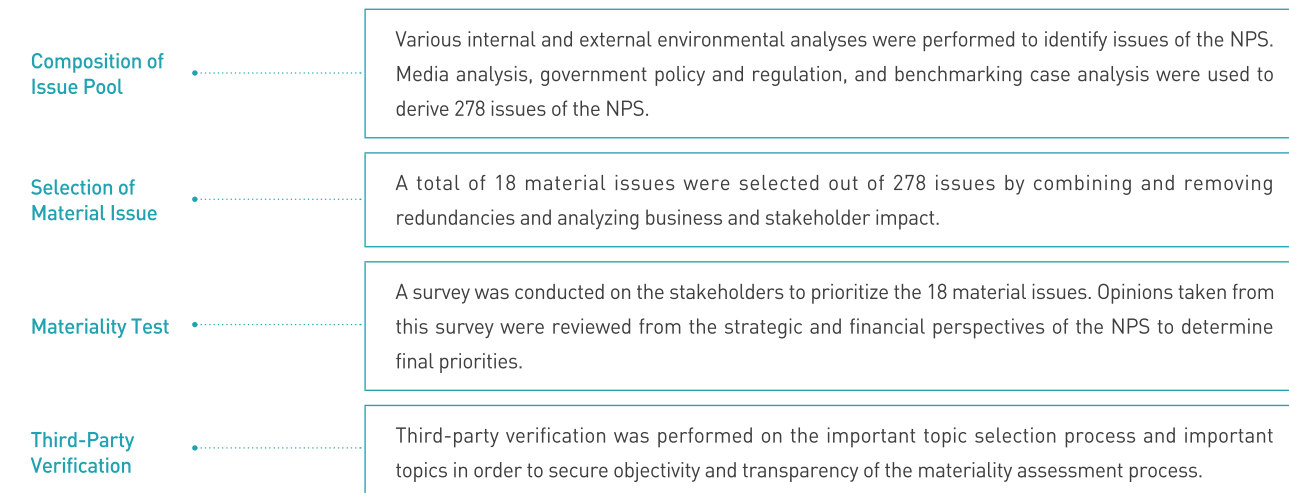
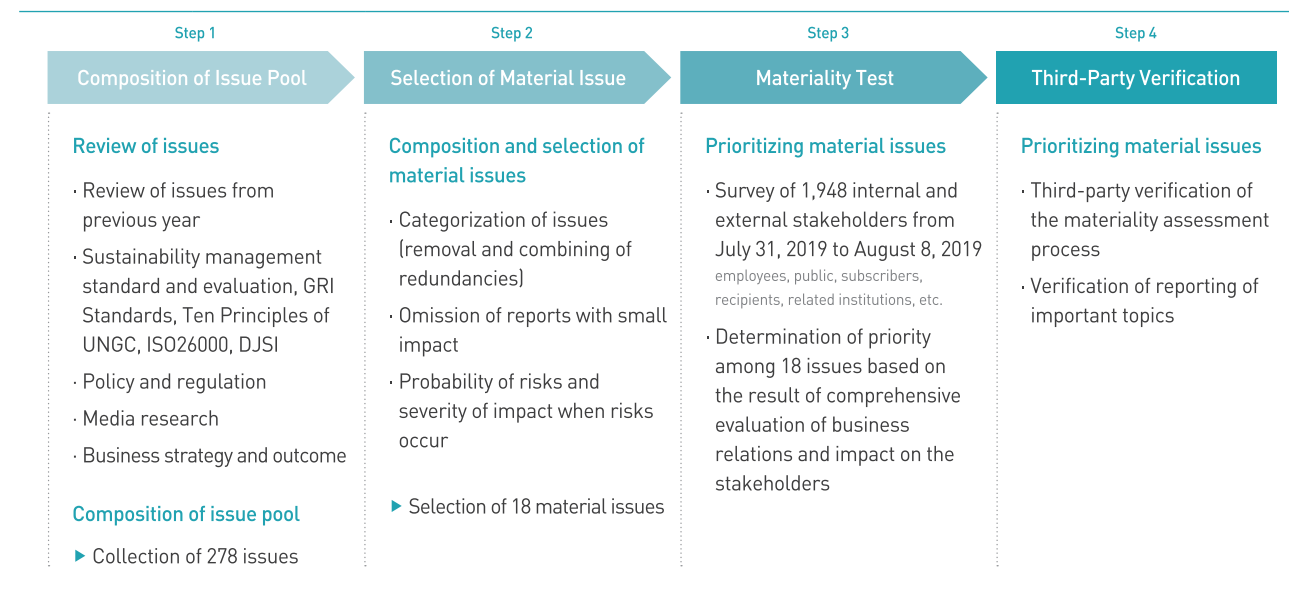
Communication Efforts by Stakeholder Groups

Category	Key Communication Activities	Key Communication Outcomes
Customers	· National petition for prohibition of stock lending of national pension · 76.1% of the public agrees to prohibit stock lending (Realmeter)	'Decided to stop stock lending' according to the public opinion
	· Monthly analysis of Voice of People (VOP) · Review of public suggestions (quarterly, annual) and hands-on application	Improved services by examining the needs of customers through VOP analysis
Startup and venture companies	Offline Hosting of National Debate on the national pension system Offline 'Temperature of Pension' website (May 2018)	Reflected public opinions on the comprehensive operation plan for national pension such as 50% pension premium support for local subscribers (exempted), childbirth credit, bereaved pension, partial pension and lump sum for death
	Joint research with small and medium venture companies to develop patented technologies and signing of joint patent agreements Survey of the middle-aged on the needs for a platform that creates social and economic jobs	Jointly developed and acquired joint patent (July 2018) for data sharing (NPS block) with a venture company Founded 6 corporations by lending unused office space in the office building and created 31 jobs
Press and policymakers government, National Assembly	Fair press release Provision of information about important issues such as Stewardship Code (SC), contribution, interview Reflection of public opinions Demand for increased transparency of fund management	42 planned articles related to SC, 11 press contributions, 8 CEO interviews
	Frequent communication with the National Assembly and government to improve systems and services	Passed a bill at the National Assembly to advance the time of increase of pension amount based on inflation rate by 3 months
Employees and labor union	Direct participation and decision of the stakeholders such as labor-management and targets of permanent job transfer (31 times) Labor-management agreement on shortening of overtime work	Transferred 1,231 contracted employees including the call center to permanent employees and provided the same welfare benefits Created 50 jobs for youths (completed on June 29, 2018)
	Formation of Human Rights Management Committee composed of labor, management and external experts	Selected by the National Human Rights Commission for pilot operation of the human rights management manual

Materiality Test and Reporting Contents

Materiality Test Process

The NPS has conducted materiality test to reflect a various interest of stakeholders and business environment at home and abroad that affect social responsibility management in the report, and identify issues to manage for one year. The NPS reviewed its internal issues including business strategy and performance, etc., and international guidelines such as GRI Standards and UNGC Principles. Furthermore, the NPS conducted media research and reviewed excellent cases, and form an issue pool. Reporting topics were selected according to stakeholder interest and business impact.



Results of Materiality Test

Based on materiality test, the top five important topics included operation of a sustainable pension system, ethics and integrity, strengthening human rights management, strengthening welfare services, and increased publicness of fund management. Other important topics derived from materiality assessment have been also reflected in this report.



Rank	Topic	Score		Reporting page
		Business Impact on NPS	Influence on Stakeholders	
1	Operation of a sustainable pension system	100.00	81.31	19, 21-23
2	Ethics and integrity	100.00	80.11	31
3	Strengthening human rights management	100.00	72.05	32
4	Strengthening welfare services	80.52	71.70	25-27
5	Increased publicness of fund management	77.73	74.68	22
6	Diversity and equal opportunity	80.52	68.75	42
7	Strengthening safety management	74.95	74.67	29-30
8	Protection of customer information	64.57	83.72	29
9	Creation and distribution economic values	74.95	74.53	49
10	Increased transparency and expertise of the Board of Directors	69.38	79.58	40-41
11	Management of business risk factors	66.60	77.53	44
12	Increased participation of the stakeholders	69.38	72.57	45
13	Development of communities	69.38	70.89	35-37
14	Training of talented individuals	72.17	66.73	42
15	Win-win growth	66.60	68.55	38
16	Job creation	69.38	64.19	33-34
17	Social contribution	58.25	72.30	36-37
18	Response to climate change	38.83	66.15	49

Social Responsibility Management Performance

Economic Performance

Statement of Financial Position

Category	Unit	2016	2017	2018
Current assets		204,571	230,617	197,522
Non-current assets		843,404	853,117	853,371
Total assets		1,047,975	1,083,734	1,050,893
Current liabilities		98,281	132,503	116,865
Non-current liabilities		1,071,568	1,095,639	1,142,078
Total liabilities	KRW million	1,169,849	1,228,142	1,258,943
Deficit		-92,232	-109,276	-141,618
Other components of earnings		-29,642	-35,132	-66,432
Total Equity		-121,874	-144,408	-208,050
Total Liabilities and Equity		1,047,975	1,083,734	1,050,893

Comprehensive Income Statement

Category	Unit	2016	2017	2018
Profit (sales)		17,681,265	19,739,157	21,431,425
Sales cost		17,071,376	19,107,073	20,775,422
Administrative expenses		594,020	625,857	664,399
Operational profits (loss)		15,869	6,227	-8,396
Other profits		-	26	797
Other expenses		3,930	4,093	4,079
Other gains and losses		-19,615	-22,218	-25,395
Finance income	KRW million	4,071	4,264	5,218
Finance expenses		529	404	646
Profit (loss) before income tax		-4,134	-16,198	-32,501
Corporate tax		73	562	4
Net profit (loss) for the term		-4,207	-16,760	-32,505
Other inclusive gains and losses (after tax)		-28,591	-5,490	-31,300
Total inclusive gains and losses		-32,798	-22,250	-63,805
Net profit		-0.02	-0.08	-0.15
Capital turnover ratio	%	-14,507.82	-13,669.02	-10,301.09

Economic Value Distribution

Category	Unit	2016	2017	2018
Customer (pension payment)		17,068,159	19,083,886	20,752,684
Employees (wage, severance pay, welfare benefits)		409,293	435,853	475,979
Government (taxes & dues)	KRW million	31,195	31,457	33,052
Local community (social contribution expenses)		772	588	746
Suppliers (goods purchased from SMEs)		82,746	59,656	56,124

Environmental Performance

GHG Emissions

Category	Unit	2016	2017	2018
Base emissions		12,165	13,320	14,385
GHG emissions amount	Scope 1	1,679	2,130	2,074
	Scope 2	6,894	7,370	8,181
	Total emissions	8,573	9,500	10,255
GHG reduction amount compare to base emissions		3,592	3,820	4,130
GHG reduction rate	%	29.53	28.68	28.71

Other Environmental Data

Category	Unit	2016	2017	2018
Energy consumption	TOE	3,620	3,413	3,498
Water usage	Ton	68,253	78,255	81,638
Wastes emissions	Ton	283	259	255

Social Performance

Labor Union

Category	Unit	2016	2017	2018
No. of membership targets	Person	5,824	6,038	7,072
No. of members		4,184	4,442	5,155
Membership rate	%	71.84	73.56	72.89

Ethical Management

Category	Unit	2016	2017	2018
Sustainability Management Index (KoBEX)	Grade	AAA [93.8]	AAA [94.43]	AAA [92.62]
Comprehensive Integrity Level (ACRC)		3	2	2
Self-integrity survey	Point	9.68	9.76	9.82
No. of ethical management trainees	Person	21,771	20,666	21,595

Local Community

Category	Unit	2016	2017	2018
Social contribution mileage	Point	157,556	167,030	183,390
Length of volunteering activities per employee	Hour	11.2	10.9	10.7

Win-Win Growth

Category	Unit	2016	2017	2018
Win-Win Growth assessment of public institutions	Grade	To be improved	General	To be improved
Rate of purchase from SMEs	%	85.4	81.5	82.3
Investment in SMEs such as domestic ventures funds	KRW 100 million	5,999	6,630	7,297

Human Resources

Category	Unit	2016	2017	2018
Total number of employees (including executives)		5,668	5,816	7,264
Total number of employees (excluding those away from work for parental leave, etc.)		5,534.5	5,745	6,775.75
Employment by type	Permanent	5,261	5,475	5,815.5
	Indefinite contract	273.5	270	960.25
	Contract	157	122	214
New recruitment	New permanent employment	291	322	477.5
	Contracted employment [transit to permanent employment]	18 (9)	18 (9)	33(16.5)
	Indirect employment	718	736	-
Gender (Regular employees + Employees under indefinite contracts)	Female employees	2,901	2,968	3,488.5
	Male employees	2,633.50	2,777	3,287.25
Ages	Under 30 years old	701.5	766	1,893.75
	30 - 50 years old	3,365.5	3,397.5	3,329.5
	After 50 years old	1,467.5	1,581.5	1,552.5
Female employees	Female managers*	199	232	283
	Ratio of female employees	47.6	48.3	51.49
	Ratio of female managers	19.01	21.2	24.2
Socially vulnerable group	Disabled employees (ratio)	198 [3.49]	201 [3.43]	243 [3.48]
	Veterans (ratio)	424 [8.32]	458 [8.28]	525 [8.77]
Retirement	Regular retirement	15	21	87
	Voluntary retirement	12	11	18

New Recruitment of Permanent Employees

Category	Unit	2016	2017	2018
Female employees		180	190	294
Disabled employees		-	5	17.5
Non-metropolitan area	Person	113	140	208.5
HQ relocation area		47	54.5	64
High school graduates		50.5	46	51
Total new hires		291	322	477.5

* Female manager: Including executives and 1-3 level employees

New Recruitment of Contracted Employees

Category	Unit	2016	2017	2018
Interns	Person	157	190	286
Counsellors, etc.		306	261	201
Contract workers		471	296	403
Total		934	747	890

HR Development

Category	Unit	2016	2017	2018
No. of trainees	Persons	87,744	74,724	84,050
Training budget per employee	KRW	841,000	957,000	720,000
Satisfaction level	Point	4.65	4.67	4.65

Flexible Working Hours

Category	Unit	2016	2017	2018
Part-time	Recruited	38	18	33
	Converted	83	91	163
Flexible working hours	Flex-time work	728	1,025	1,046
	Intensive work	35	39	40

Support for Childbirth and Childcare

Category	Unit	2016	2017	2018
Support for pregnancy	Reduction of working hours during the period pregnancy 2 hours/day reduction for pregnancy under 12 weeks and over 36 weeks	100	103	81
Childcare support	Reduction of working hours during childcare daily work time is reduced by 4 hours for employees raising children under the age of 9	82	82	130
	Infant childcare leave one day a month for childcare of infants less than three years old	182	175	211
Maternity leave	Maternity leave 90 days for single child and 120 days for multiple children	129	131	139
	Childbirth leave for one's spouse five paid days	74	89	58
Parental leave	Male maximum 3 years	29	26	26
	Female maximum 3 years	392	391	382

GRI Standards Index

Universal Standards(GRI 100)

Topic	No.	Title	Page
Organizational profile	102-1	Name of the organization	6
	102-2	Activities, brands, products, and services	6-7
	102-3	Location of headquarters	6
	102-4	Location of operations	6
	102-5	Ownership and legal form	6
	102-6	Markets served	6-7
	102-7	Scale of the organization	6
	102-8	Information on employees and other workers	6, 51
	102-9	Supply chain	38
	102-10	Significant changes to the organization and its supply chain	N/A
	102-11	Precautionary Principle or approach	44
	102-12	External initiatives	55
	102-13	Membership of associations	58
Strategy	102-14	Statement from senior decision-maker	2-3
	102-15	Key impacts, risks, and opportunities	2-3
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	31
	102-17	Mechanisms for advice and concerns about ethics	31
	102-18	Governance structure	40
Governance	102-22	Composition of the highest governance body and its committees	40
	102-23	Chair of the highest governance body	40
	102-24	Nominating and selecting the highest governance body	40
	102-35	Remuneration policies	41
	102-40	List of stakeholder groups	46
	102-41	Collective bargaining agreements	50
Stakeholder engagement	102-42	Identifying and selecting stakeholders	45
	102-43	Approach to stakeholder engagement	45
	102-44	Key topics and concerns raised	47
Reporting practice	102-45	Entities included in the consolidated financial statements	About This Report
	102-46	Defining report content and topic Boundaries	About This Report
	102-47	List of material topics	46-47
	102-48	Restatements of information	N/A
	102-49	Changes in reporting	46-47
	102-50	Reporting period	About This Report
	102-51	Date of most recent report	About This Report

Universal Standards(GRI 100)

Topic	No.	Title	Page
Reporting practice	102-52	Reporting cycle	About This Report
	102-53	Contact point for questions regarding the report	About This Report
	102-54	Claims of reporting in accordance with the GRI Standards	About This Report
	102-55	GRI content index	53-54
	102-56	External assurance	56-57
Management Approach	103-1	Explanation of the material topic and its Boundary, management approach and its components, evaluation of the management approach	16, 21, 24, 28
	103-2		
	103-3		

Topic Specific Standards-Economic Performance(GRI 200)

Topic	No.	Title	Page
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	16-19, 20-23, 35-37
	203-2	Significant indirect economic impacts	33-38
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	31
	205-3	Confirmed incidents of corruption and actions taken	31

Topic Specific Standards-Environmental Performance(GRI 300)

Topic	No.	Title	Page
Energy	302-1	Energy consumption within the organization	49
Water and Effluents	303-1	Interactions with water as a shared resource	49
Emissions	305-1	Direct (Scope 1) GHG emissions	49
	305-2	Energy indirect (Scope 2) GHG emissions	49

Topic Specific Standards-Social Performance(GRI 400)

Topic	No.	Title	Page
Employment	401-1	New employee hires and employee turnover	51
Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	42
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	40, 51
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	32
Local Communities	413-1	Operations with local community engagement, impact assessment, and development programs	35-37
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	29

Sustainability Management Initiatives

UN Global Compact (UNGC)

NPS joined the UN Global Compact in October 2012 and has been complying with the 10 principles of human rights, labor, environment and anti-corruption ever since.

Human Rights	Principle1 : Businesses should support and respect the protection of internationally proclaimed human rights; and Make sure that they are not complicit in human right abuses.
	Principle2 : Make sure that they are not complicit in human right abuses.
	Principle3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Labour Standards	Principle4 : The elimination of all forms of forced and compulsory labour;
	Principle5 : The effective abolition of child labour; and
	Principle6 : The elimination of discrimination in respect of employment and occupation.
Environment	Principle7 : Businesses should support a precautionary approach to environmental challenges;
	Principle 8 : Undertake initiatives to promote greater environmental responsibility;
	Principle 9: Encourage the development and diffusion of environmentally friendly technologies
Anti-Corruption	Principle 10: Business should work against corruption in all its forms, including extortion and bribery

UN Principles for Responsible Investment (PRI)

The NPS subscribed to the Principles for Responsible Investment (PRI) of the UN in 2009 and has been complying with the Six Principles.

Principle 1	We will incorporate ESG issues into investment analysis and decision-making processes
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices
Principle 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest
Principle 4	We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5	We will work together to enhance our effectiveness in implementing the Principles.
Principle 6	We will each report on our activities and progress towards implementing the Principles.

UN Sustainable Development Goals (UN SDGs)

UN SDGs consisting of 17 goals and 169 targets encompass diverse topics throughout the economy, society, and environment, etc. for sustainable development of all countries around the world. The NPS supports UN SDGs and establishes foundation for win-win growth with all humankind throughout overall business activities.



Third Party's Assurance

To the Readers of NPS Sustainability Report 2019 :

Foreword

Korea Management Registrar Inc. (hereinafter "KMR") has been requested by of National Pension Service (hereinafter "NPS") to verify the contents of its Sustainability Report (hereinafter "the Report"). NPS is responsible for the collection and presentation of information included in the Report. KMR's responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

Scope and standard

NPS describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a type2, moderate level of assurance using AA1000AS (2008) and SRV1000 from KMR Global Sustainability Committee as assurance standards. KMR's assurance team(hereinafter "the team") evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standards indices as below, where professional judgment of the team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the 'Core Option' of GRI Standards which covers the followings.

- GRI Standards Reporting Principles
- Universal Standards
- Topic Specific Standards

- | | |
|---|--|
| - Management approach of Topic Specific Standards | - Employment: 401-1 |
| - Indirect Economic Impacts: 203-1, 203-2 | - Training and Education: 404-2 |
| - Anti-Corruption: 205-2, 205-3 | - Diversity and Equal Opportunity: 405-1 |
| - Energy: 302-1 | - Human Rights Assessment: 412-1 |
| - Water: 303-1 | - Local Communities: 413-1 |
| - Emissions: 305-1, 305-2 | - Customer Privacy: 418-1 |

This Report excludes data sand information of joint corporate, contractor etc. which is outside of the organization, i.e. NPS, among report boundaries.

Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report

Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with NPS on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

· Inclusivity

Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

- NPS is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder NPS left out during this procedure.

· Materiality

Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.

- NPS is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.

· Responsiveness

Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.

- The assurance team could not find any evidence that NPS's counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the 'Core Option' of GRI standards.

Recommendation for improvement

We hope the Report is actively used as a communication tool with stakeholders and we recommend the following for continuous improvements.

- Sustainable management is based on triple bottom lines – economics, environment and society. Although NPS has demonstrated excellent social communication to increase the fund and satisfy internal and external stakeholders, its economic and environmental report has room for improvement. In the future, the organization is advised to expand the scope of the fund management report and increase the number of people who file income tax returns and strengthen the public's trust and find and serve neglected beneficiaries.

Our independence

With the exception of providing third party assurance services, KMR is not involved in any other NPS's business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

September, 27th, 2019 CEO *E. J. Hwang*



Awards and Membership

Awards

Date	Description of Award	Supervisors
Feb. 2018	Selected as a leading brand for old-age welfare services for 4 consecutive years at the 2018 'Korea Master Brand Awards'	iMBC, Dong-a.com, Hankyung.com
March 2018	Received 'Best Pension Plan Sponsor of the Year Award' 9 times	Asia Asset Management
May 2018	Received the first 'Global Real Estate Investor of the Year Award' in Europe	European real estate media, 'IPE Real Estate'
May 2018	Selected as the 'excellent call center for 14 consecutive years' by Korea Service Quality Index (KSQI)	Korea Management Association Consulting (KMAC)
Sep. 2018	Received a commendation from the Vice Chairman of the Presidential Committee on Jobs for contribution to job creation for youths	Presidential Committee on Jobs
Oct. 2018	Received the grand prize from 2018 Sympathy Management of the Year Award in public organization job creation section	Association of Korean Journalists, Korea Marketing Management Association
Oct. 2018	Selected as the 'no. 1 public enterprise for social contribution' by undergraduates for 9 consecutive years	University News Network
Oct. 2018	Received the best practice award for the Asia-Pacific region from International Social Security Association (ISSA)	International Social Security Association (ISSA)
Nov. 2018	Received 'Internet Communication Award of Korea' for 4 consecutive years	Korea Internet Communication Association (KICOA)
Nov. 2018	Received a commendation from the Prime Minister for the excellent example of active administration (pension premium loans)	Ministry of Personnel Management
Nov. 2018	Received a commendation from the Governor of Jeollabuk-do for social contribution	Jeollabuk-do Office
Dec. 2018	2018 Job Creation of the Year Award (Youth Employment)	Chosun Ilbo and 5 government ministries including Ministry of Employment and Labor
Dec. 2018	Received a commendation from the Minister of Health and Welfare for the social contribution program (health sustaining)	Korea National Council on Social Welfare
Dec. 2018	Received a commendation for being an excellent institution that realizes social values	Social Security Information Service
Dec. 2018	Received a presidential citation for excellent personnel innovation with participation of employees	Ministry of Personnel Management

Membership

Korean Social Security Association	IPC (International Pensions Conference)
Korea Insurance Research Institute	Korea Association of Welfare Policy
Korea National Council on Social Welfare	Korean Economic Association
Korea Employers Federation	Russel 20-20(20-20 Investment Association)
Korean Academy of Social Welfare	Seoul Economist Club
PPI (Pacific Pension Institute)	Korean Labor Economic Association
Korean Association of Public Finance	Korea International Finance Association
Korean Association for Survey Research	Korea Labor Institute
Korea Development Institute	Korean Pension Association



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